

Editor: Ciarán Carroll

Welcome to February's Newsletter

Ciarán Carroll



Welcome to the February edition of our monthly newsletter. The difficult times continue with pig price averaging 140 cent per kg deadweight and the margin over feed at 28 cent per kg deadweight for the third month in a row (averaged 33 cent per kg deadweight for 2018). Speculation is for an increase following the recent increase in Germany. All the while we continue to look towards China as they continue their culling programme as a result of the African Swine Fever problem there. They culled 1.4 million sows in January alone, that's more than the Dutch or Danish herds, in one month!

However, we need to look at where our business is at right now and plan for the shorter term to ensure we get to the point where we can take advantage of the price rise when it comes. This month's newsletter focuses on setting targets and financial planning. Gerard McCutcheon's talks about production targets, something we should set and monitor as the year goes on. Michael McKeon considers the various aspects of financial planning. As mentioned last month, farms using the Teagasc ePM PigSys herd performance monitor perform better than those that don't. Start using your records, reset your targets and use the information to plan for future.

Last month Edgar Garcia Manzanilla and I attended the annual consortium of the European network project, EU PIG (now in it's third year) in the Netherlands. Involving organisations from 13 EU countries this was a useful and informative few days. It's no consolation but all other countries are going through the same difficulties as us at present. Part of the network's role is to identify best practices being used on farm under different themes (Health Management, Precision Production, Animal Welfare and Meat Quality) which can readily be adopted by any farm in an effort to improve production performance and profitability. Last month I sent out a summary of the 2017 successful best practices. We'll shortly circulate the summary details for the 2018 winners. The third year's best practices have just been submitted for 2019 and adjudication on these will happen over the coming months.

In this issue:

- Pig Production Targets
- Financial Planning
- News Updates

Pig Production Targets

Gerard McCutcheon

2018 has been one of the most difficult years in pig production. Feed costs for 2018 averaged 107 cent per kg deadweight. The average pig price was 141 cent per kg deadweight leaving just over 33 cent to pay for non-feed costs. There always needs to be a focus in any business in terms of target outputs.

Ensure that the targets set for your farm are achievable. Having realistic targets allows you focus on any potential areas to make savings or improvements.

What Target performance are you setting as a realistic return for your herd in 2019. The three main output targets are:

- (1) Number of pigs produced per sow per year,
- (2) Feed Conversion Efficiency from weaning to sale,
- (3) Average Daily Gain from weaning to sale.

In the Teagasc e-Profit Monitor we have re-set the Targets for the three factors above. The sow output target can be set from 22 up to 32 pigs produced per sow per year. The FCE and ADG target are set from A to R as shown below:

FEED AND GROWTH TARGET	A	B	C	D	E
FEED CONVERSION WEANING TO SALE	2.55	2.55	2.55	2.55	2.55
ADG WEANING TO SALE g/day	650	700	750	800	850

FEED AND GROWTH TARGET	F	G	H	I	J
FEED CONVERSION WEANING TO SALE	2.45	2.45	2.45	2.45	2.45
ADG WEANING TO SALE g/day	650	700	750	800	850

FEED AND GROWTH TARGET	K	L	M	N	O
FEED CONVERSION WEANING TO SALE	2.35	2.35	2.35	2.35	2.35
ADG WEANING TO SALE g/day	650	700	750	800	850

FEED AND GROWTH TARGET	P	Q	R
FEED CONVERSION WEANING TO SALE	2.23	2.23	2.23
ADG WEANING TO SALE g/day	843	874	885

Do you know what **your** production targets are for 2019? Is it 28 pigs /sow/year and 750 g ADG at a 2.45 FCE from weaning to sale (i.e. H Target above). You may use the Targets in your report to see how far off your actual performance is or to review your production performance. Talk with your staff and

your Teagasc Advisor as you compile your input sheet for the e-Profit Monitor.

Michael McKeon

Keeping a tight fiscal control of a business is always important but it becomes critically important when margins are tight. Unfortunately the pig sector continues to suffer very tight margins. Having an accurate breakeven figure for our farm may sound like common sense but (at the risk of banging an old drum) how many of us know our bottom line accurately?

Have you undertaken a financial sensitivity analysis aligned with a cashflow projection to enable you see what your overdraft figure will be in May when you are paying for the March feed? Doing this may not change the pig price or the size of your overdraft one iota but ‘forewarned is forearmed’. By seeing the problem in advance you can look at what options are available to you now instead of waiting until the problem is at crisis point.

You will also find that by having a ‘tight handle’ on your finances it doesn’t feel as if you are a passenger on a runaway train. You have control over the situation and this helps to reduce the stress levels. The following steps show how this increased control might be achieved.

1. Data Collection

Accurately record the day-day data at the end of each day and week. This can be done in paper form on the daily and weekly Teagasc record sheets or on the Teagasc excel recording spread sheet. A simple stock count is taken at the end of the quarter and the data can then be analysed. A further simple bank reconciliation excel programme is also available for producers to track cheques issued during the quarter and to reconcile these with your bank statements.

2. Analysis

Once the data is supplied to your Teagasc Specialist Pig Advisor it can then be analysed on the ePM system. This system has been in operation for a number of years but it still remains the only package that can give an accurate ‘real time’ Average Daily Gain and FCE calculation. It is also the only package

that can give an accurate full cost of production as it includes current feed performance and non-feed costs in its calculation.

PERIOD FROM	30/12/2012	31/03/2013	30/06/2013	29/09/2013	30/12/2012	TARGETS
PERIOD TO	30/03/2013	29/06/2013	28/09/2013	28/12/2013	28/12/2013	
NUMBER OF WEEKS	13.0	13.0	13.0	13.0	52.0	
KEY PERFORMANCE INDICATORS						
NO. PIGS PRODUCED / SOW / YEAR	24.6	27.2	24.9	22.1	24.6	23
PIG MEAT PER SOW PER YEAR Kg	1953	2209	1973	1739	1973	1548
TOTAL FEED PER SOW PER YEAR TONNES	7.48	7.14	7.12	7.84	7.39	6.76

When a cost of production has been established, your Advisor can then generate a sensitivity analysis on a range of parameters which will highlight the areas that will have the greatest financial effect on increasing your income. This allows your farm to prioritise the top two or three areas that require concentration instead of diluting the effort over a range of minor areas.

3. Forecast

When your breakeven figure has been established and the improvement goals set for this quarter you can then look forward to where your income level and overdraft will be in the next few months based three scenarios: current prices, deteriorating prices and improved prices. This can be done with a projected cashflow package that will show your overdraft level in a given period. The outlook can then be adjusted to show the effect of prices improving or deteriorating in the intervening period.

	CURRENT	6 MONTHS	12 MONTHS
FEED CREDIT	-180,000	300,000	280,000
FEED DEFICIT	-40,210	-172,417	-172,417
PRODUCTION	239,790	472,417	452,417
TOTAL	159,580	300,000	300,000
PRODUCTION CHANGE	5,211	141	141
PRODUCTION PRICE	143	143	143
COMPOSITE FEED PRICE	309	309	309
FEED COST PER SOW	111	111	111
SENSITIVITY ANALYSIS			
FEED PRICE	45 per tonne	9575	17546
FEED COST	12 per kg head	4734	9070
FEED COST PER PIG	12 per kg head	4734	9070
FEED COST PER PIG	12 per kg head	4734	9070

A further ‘Cashflow Tracker’ programme is available that allows the producer themselves to track the

actual monthly changes from the original projected cashflow.

4. If 'ends don't meet' what are my options?

Once you have your essential accurate information you have a number of options available.

1. Performance Efficiencies: use your sensitivity analysis to see which options are achievable that will generate the greatest saving in the short term e.g. for a 500 sow herd a 0.1 (2.6 to 2.5) saving in finisher FCE could save €27,000. It could be an hour well spent every day adjusting feeders to achieve this saving!

2. Cutbacks: if you have exhausted every performance efficiency possible then examine if there is an area that could allow cutbacks without radically affecting performance. Examine every individual cost category and view the options. For example:

- Reduce labour cost over the next 6 months by not washing pens as frequently?
- How you signed up to cheaper electricity rates?
- Has your healthcare program been reviewed recently?
- Can you split the cost of transporting manure with your client?

3. Financial institution: if you have instigated all possible achievable efficiencies and your operation has been cut to the bone but you still have a shortfall then the next step will be to speak to your financial institution. By being able to present your current financial data and the forecasted shortfall it at least shows that you have a strong degree of control over

your operation. It also gives both sides time to consider options rather than waiting for a crisis when a cheque bounces. Some areas to consider:

- Is an extension to your overdraft facility possible?
- Could your loans go on an 'interest only' option for a short period?
- Could you agree a moratorium (freeze) on all repayments for 6 months?
- Extend your loan period to reduce your monthly repayments?
- Can you amalgamate a number of existing loans to a single loan package?

Many of these options have an added cost built in to them that must be carefully considered. By being proactive now it 'buys' you some time to be able to examine fully these possibilities.

4. Outside financial assistance: There is a government scheme available called 'Farm Assist' that is specifically tailored for the farming community. This scheme gives financial assistance to farmers during periods when their income falls below a certain threshold. The scheme is means tested on an income basis. An application can take 12 -14 weeks to process so it is important to apply early if you anticipate severe financial problems over the coming months.

In summary we're weathering a further difficult period. We have little control on external market forces but we do have full control over our own operation. The aim of every producer should be to have an in depth grasp of every single cost and efficiency on the farm. This can be achieved by careful data collection, analyses, forecasting and implementing.





EU PiG 2019 Project

The third annual consortium of this group project took place in Oirschot, Netherlands in early February. A key part of the network's role is to identify best practices which can readily be adopted by any farm in an effort to improve production performance and profitability. Summary details for the 2017 winners have been circulated and the details for the 2018 winners will be circulated shortly. The 2019 best practices have just been submitted and I'm glad to report that we had 22 submissions from Ireland. Thanks to all those farms who got involved. Here's hoping some of you will be successful. For more details check out <https://www.eupig.eu/>

African Swine Fever

China: Following last month's article on the Chinese pig herd, the latest official figures for Jan 2019 show that a further 1.4 million sows were culled in January, the equivalent of the whole Danish sow herd disposed of in a single month. The Chinese sow herd is now estimated to have reduced by 5.5 million sows in the last 12 months, almost the equivalent of the whole US herd (6.3 million). It is worth remembering that the first case of African Swine Fever was only diagnosed in August 2018, therefore the bulk of the 5.5 million sow culling has occurred in the last 6 months. On this basis Chinese pigmeat will start to become scarce from May 2019 onwards.

Funded Biosecurity Reviews

Have you applied to have your farm's biosecurity reviewed yet? Funding is now available to all pig

herd owners to have a comprehensive biosecurity review carried out by a trained private veterinary practitioner. This service, **free of charge** to the farmer, involves a comprehensive review of the internal and external biosecurity practices and infrastructure on the farm. Using the University of Ghent BioCheck scoring tool introduced to Ireland by Teagasc PDD, Animal Health Ireland (AHI) is delivering the biosecurity reviews on behalf of the Department of Agriculture, Food and the Marine. To avail of this free service, visit the AHI website (http://animalhealthireland.ie/?page_id=11040), or contact AHI by telephone (071 9671928) to access a list of trained, participating vets and their contact details. Do it now!

Feed Ingredient Update

Soya: The US & China seem to be finalising a new trade deal (China will buy an extra 10 MT of soya). This news comes as a relief to US farmers as the 2018/19 Brazilian soybean harvest is now 36% complete. The pace of the soybean harvest has been accelerated this year by earlier sowing and a faster harvest pace due to the dry hot weather. 19% ahead of the same point last year, means 2018/19 Brazilian soybeans will be available for export earlier than in previous seasons which indicates an overlap with the US stored 2018 harvest - technically a global oversupply. The Chinese deal is important to hold the current US soya price.

Wheat-Barley: Stratégie Grains released its latest crop updates, with the EU soft wheat crop for 2019/20 estimated at 146.4mt (up 19.3mt) compared to 2018/19. The EU 2019/20 barley crop is estimated to reach 62mt versus 55.8mt for 2018/19 (up 6.2mt). Ex-farm barley prices are also easing due to high

maize use in animal feed - barley use in feed has dropped by more than 13%.

European Pig Producers Congress 2019: Pig Production in Transition

The European Pig Producers group is a network of leading pig producers from across Europe set up to exchange experience and knowledge. Founded in January 1990 in Herning, Denmark, the group serves mainly as a technical, economic and social forum for pig producers in European countries. They meet each year at congress and EPP Germany are 2019 hosts.



The gathering in 2019 takes place in Landshut, Bavaria from the 5th – 8th June. Under the topic “Pig Production in Transition” the German organising committee will provide a lot of information about the changes of European / Global pork markets and the challenges for producers in Germany. Interesting speeches, Industry visits and Farm tours guarantee a diversified program for all participants. The Congress takes place in the city of Landshut. EPP booked two Hotels close to each other for the event, both are located in the city centre, directly at the Isar river,

2 minutes’ walk from the historic center. Registration for the Congress is already open. Check out the following link for more details and to register

http://www.pigproducer.net/fileadmin/european-clubs/pigproducers/binary/activities/germany-2019/EPP_2019_Flyer_Dez.pdf

Student Update



Congrats to Walsh Fellow Fiona O'Meara (Wet Feed project) who featured in the That's Farming Student Focus - Women in Ag series. The interview can be found at: <https://www.thatfarming.com/news/fiona-profile-feb>



For more information

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