

Based on an interview with Prof. Dr. John Deen, Veterinary Population Medicine, University of Minnesota

## **THE NEW LOOK PORK INDUSTRY**

Globally, the pork producing industry is under pressure. Well documented and dramatic increases in the cost of feed, labour and construction, along with changing consumer attitudes, have become key drivers for a new look industry. You could be forgiven for thinking that the outlook is gloomy for swine producers, but at least one expert in swine production optimisation believes the present challenges also provide great opportunities.

“When things get too profitable, people get too comfortable, and things don’t progress,” says Dr John Deen, Associate Professor in the department of Veterinary Population Medicine at the University of Minnesota, USA.

“In most markets now, raising pigs is not very profitable. Production models from the past no longer apply – the industry has changed and moved on.”

According to Professor Deen, one consequence of that move is that the whole pork supply chain is more open to new ideas and new technologies – especially those that promise greater efficiency and better margins.

One of the aspects of swine production that Professor Deen has studied is how producers think about controlling costs. In the past, minimizing costs of production has been the focus of many producers, and few have considered the other component of production economics – maximizing revenues.

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“Financial manipulation of unit purchase costs is largely beyond the control of producers in most markets,” he says. “They have to work with what the market dictates to a large extent. However, the potential for manipulating output by maximising each pig’s survival and growth rates is far higher.

“In the future, producers will have to look more closely at the cost of raising pigs that do not grow as efficiently as they could. This ‘lost opportunity’ cost is far easier to control using biological means than input costs such as feed. Basically, because prices are more volatile and trending higher, we will no longer be able to waste inputs.”

With prices having approximately doubled globally over the past 2 years, feed now accounts for as much as three quarters of the cost of production in some markets. Along with this rise in input costs, in some markets the value of the product is also increasing – but to a lesser extent – partly due to a decrease in supply. Professor Deen believes that this is moving the industry towards a higher value product. In other words, each pig is becoming that much more valuable – and, as a result, the cost of failure is increasing.

Recognising and addressing these ‘hidden’ costs will become an essential part of successful swine production. This will undoubtedly require a change of mindset by an industry that has traditionally focused on input costs, but the current economic climate is as good a catalyst as any.

“Any technology that enhances the efficient use of valuable resources will be a great benefit,” says Professor Deen. “For example we will see an emphasis on feed conversion and products that can reduce feed input and increase growth rates.”

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One of the biggest lost opportunities suffered by the pig industry is the loss of growth that occurs when male piglets are physically castrated when a few days old. Compared to intact boars, castrates have a lower feed conversion rate, grow more slowly and produce a carcass that has less lean and thicker back fat. Put simply, it costs more to produce less.

In the past, when feed prices were less critical, attention was focused on other issues, such as infection control, which could make a big difference to production efficiency. Plus, of course, there was no viable alternative to physical castration if producers wanted to raise full grown pigs without a high risk of boar taint.

Now, when prices are high, the market is far more interested in innovations that promise to give back those lost opportunities.

According to Professor Deen, one such innovation is the boar taint vaccine Improvac. This product has been used commercially in Australia and New Zealand for over 10 years, but more recently it has been successfully introduced in over a dozen more countries worldwide. This September saw its first introduction in Europe (Switzerland) and it is known that marketing authorizations are being pursued in all major pig producing markets.

“I think Improvac is entering markets at a time when decisions on how to raise pigs are being re-evaluated,” says Professor Deen. “Decision makers in integrated companies will quickly see the benefits of improving feed conversion and re-gaining the efficiency of growth which they have been losing as a result of castrating piglets.”

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Improvac works like a vaccine to block the activity of the testes temporarily in the finishing stage and thus remove the risk of boar taint in the carcass. But because it becomes fully effective only a matter of weeks before slaughter, the pig spends most of its life growing like an intact boar.

“This means we can maintain a much more efficient feed conversion and get better growth in the fattening stage,” says Professor Deen. “It’s not overall feed conversion that is the issue here, it’s the marginal feed conversion, the feed conversion during the latter stages of the barrow’s life when it lays down more back fat and feed conversion is less efficient.”

“In some markets the large amount of back fat laid down in the late fattening stage is a block to larger carcasses. When this is avoided by using Improvac, then larger carcasses will become acceptable.”

Even in non-castrating markets, Improvac will bring benefits, he says.

“In markets where carcass size is restricted due to boar taint, it will allow producers to make use of the efficient growth in the finishing stage and be able to sell bigger, more valuable carcasses.”

“I think Improvac will become an industry standard in many markets,” says Professor Deen, “especially as we continue to consolidate. In Brazil for example, it has already become an accepted part of production in many of the large pig producing companies.”

The increasing communication up and down the pork supply chain is another factor which is facilitating the adoption of new ideas and management systems in the industry, says Professor Deen.

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“This means that new ideas and products that have benefits for more than one part of the supply chain are more likely to be taken on. This is one of the benefits of the increasing vertical integration that we are seeing in the industry.”

This increased communication reaches as far as the consumer, he says, and the resulting transparency will also affect the industry and its methods of production.

“There is an increasing dialogue with consumers and we are getting a lot more questions about our production methods. So there is a growing concern in the industry over consumer acceptance and consumer recognition that there are alternatives. As markets refine their industries, there will be a real attraction to products that deliver this kind of acceptance.”

So does this all mean the end for the smaller producer?

Not necessarily, says Professor Deen:

“There are small producers who do a good job and there will still be a place for those that can utilise their inherent husbandry skills. But there will be much more emphasis on production and real pressure on smaller pig producers in some markets – those that produce 15-18 pigs/sow/year.”

Those producers that do prosper in the future are more likely to find themselves close to their feed source, he adds.

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“Feed has to be available but there is an increase in energy costs, so transportation is more expensive. Also, the waste from swine units will be more valuable as fertiliser prices continue to increase. There will be a bias in the new market towards integration with grain production. The location of the swine industry will be driven by proximity to crops and fertiliser need. It will focus on areas that can produce pork more capably and utilise the resource they have.”

Swine production is undoubtedly changing. The new look industry is likely to be more efficient, more integrated and more consumer aware. Feed conversion efficiency will become an important production parameter and cost cutting will focus more on making the most of swine physiology to reduce the losses associated with inefficient production.

But perhaps the final word is best left to Professor Deen:

“Necessity is the mother of invention – and the pork industry needs to find more efficient ways of producing a high quality product.”

**1,366 words**

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