

Practical Cash-Flow Actions for Pig Producers in Difficult Times
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The primary concern of British pig producers right now is how much they can mitigate the financial imbalance to their cash-flow during this prolonged slump in the pig price. Pig producers lost in the region of £180m in 2015 against the average pig price of 2014. Put another way, processors saved £180m in costs to their businesses against the previous year in the same period.

How do hard working pig producers begin, with immediate effect, to influence their survival.

Short-Term...

- Cash-flow immediate response...
 - Staff Morale, Wellbeing and Welfare
 - Sale weight
 - Wasted days
 - Weaning age

Medium-term...

- Build a strategy based on fact not fiction...
 - Start foundational work on herd shape
 - Parent gilt preparation and management
 - Lactation management

Long-Term...

- Build in mitigation for the inevitable financial cycle...

Short-term. (Immediate response to cash-flow mitigation)

Staff Morale, Wellbeing and Welfare (See last paragraph below.)

Sale Weight:

Below is a table of current loss by Cost of Production (CoP) over Pig Price set against five kilogram gradients of carcass weights between 65 and 90 kg

Current Market Balance	Carcass Kg	Total CoP	Total Price	£ +/- /pig	Carcass Kg	Total CoP	Total Price	£ +/- /pig	
1a	65.0	96.03	84.50	-11.53	80.0	118.19	104.00	-14.15	
CoP/Kg	1.47	70.0	103.41	91.00	-12.41	85.0	125.58	110.50	-15.08
Price/Kg	1.30	75.0	110.80	97.50	-13.30	90.0	132.97	117.00	-15.97

In table 1a the result is reported of a negative difference between the cost of production of a kilogram of pig meat and the price paid for it. The result is a financial loss per pig sold. It is quite straightforward to gauge from these tables what might be happening in individual enterprises, with some losses being smaller and some greater and the majority possibly somewhere in this mix.

Current Output & Herd Size	Carcass Kg	Total Loss £	Carcass Kg	Total Loss £
1a.1	65.0	£159,114.00	80.0	£195,270.00
Sold/Sow/Yr.	23.0	£171,258.00	85.0	£208,104.00
Herd Size	600	£183,540.00	90.0	£220,386.00

In table 1a.1 these per pig losses have been multiplied up by annual output per sow and a herd size of 600 productive sows to give an example of the total losses that are possible in a sustained period of poor pig prices such as the industry is currently experiencing.

The logical conclusion from these tables if an enterprise is to staunch the negative cash-flow load as much as possible is to sell at the lighter weight limit of the supply contract. Processors control the demand for pigs in the pork chain relationship between the producer and the market. Reducing sale weight is relative to the uptake by the processor.

CORRECTION:

However, when running more detailed what if calculations the following results are produced which show the impact on the changing balance in the percentage share between fixed and variable costs. I have created this new table as a response to an invitation to address an AHDB roadshow audience in East Anglia.

I apologize for the logical assumption derived from table 1a...my conclusion is that despite the temporary increased cash-flow load of extra variable costs, the effect on the balance does effectively reduce overall loss.

Table 1 b

UK Average Indoor Performance**The Fixed Cost Effect**

No. of Productive Females	600			
	Ave			
Cost of Production	p			p
Pence/Carcass Kg	147.74		143.41	
		Wean Weight Kg	7.20	
Cost/Pig	£	Slaughter Pig Lwt Kg	105.91	£
Born Alive	30.33	Carcass Kg	81.39	30.33
Weaned	34.29	<u>Extra 5Kg Carcass</u>		34.29
Feeding (Slaughter) Pig		Slaughter Pig Lwt Kg	112.42	
Feed Cost/Pig	48.44	Carcass Kg (KO 76.84%)	86.39	57.85
Total Cost/Pig	84.39			88.03
Total Cost/Slaughter Pig	118.68			122.32
Income @ £1.30/Kg	105.81			114.54
Loss	-12.87			-8.73

Wasted Days:

The average annual number of wasted (non-productive) days per breeding herd in the UK is somewhere in the region of 37,000 (sample size 200 farms average herd size 700), the average wasted days per sow for this data was 20. This result is at least 50% too much. At £2.30/day (AHDB Pork) this equates to an annual loss of £85,000 per herd on average and £23.00/sow.

Breeding Herd Culling...is one of the most effective actions the industry can take immediately...BUT!!!...it needs an individual enterprise strategy. The result of the culling has a multiplicity of benefits, if done properly. The focus of the pig producer in herd production is the start of the next cycle for the sow and the service group and the herd.

Step 1. Using production records, isolate the herd, firstly into a performance analysis by parity and secondly, by current service group. This is not difficult where individual sow records are maintained either on paper or electronically. The parity analysis will give the producer an understanding of the shape of the herd. The individual service group analysis will enable the producer to identify potential culls and plan replacements and possible group size reduction, in the short-term as each service group production cycle completes and in the longer term a whole cycle ahead or the next service date of the currently pregnant group. This means identifying, most commonly 22, 7 or 5 service groups or more/less depending on the production system employed.

Step 2. Decide the culling parameters. Here I suggest failure is the driver for decision in order to maximize the reduction in wasted days. Return to service, poor litter numbers, 7 or less born alive and anything under 10 weaned, unless there is a good reason, should be the ultimate discipline. Weaning less than 10 is assuming no gilt/sow is allowed by management to rear less, by implementing a fostering programme and culling identified age based culls early in lactation. Working with this as a guide it is still down to the producer to decide...BUT REMEMBER...reduction of the immediate cash-flow is the objective. Culling failing gilts can be practiced to the full if the replacement flow is well managed in the first place and if a reduction in herd size is going to lower cost of production for the herd then the supply of prospective replacements has just got relatively bigger (more on this later). Culling has many benefits in that it removes the statistically compromised sows, can contribute to the improving health and social interaction of the herd and take pressure out of the system leading to opportunity to rest and repair infrastructure.

DON'T WORRY...a reduction in output as result of draconian culling is a reduction in the money being wasted in the cash-flow. An initial reduction in herd size (sow prices are simultaneously low but at least they are no longer a cost) is of course a longer term reduction in pigs for sale, if and when the price 'comes right'. It is important to remember also that when the price comes right the margin you make has a direct relation, in terms of the recovery of the business. Reduce your losses now and enjoy the steady return to positive equity and cash reserves relatively quicker. This is important because the business cycle of bull and bear markets is shortening...until we as an industry address the deeper issues of industry structure and function.

I believe that there is not enough individual feeding space for pigs in the UK feeding herd and this is actually restrict feeding a good percentage of the herd, a reduction in numbers will by default address this as long as there are no feeders standing idle on the farm.

There is a further element of wasted days that I want to address and that is those wasted days in the feeding herd that compromise Daily Live-weight Gain (DLwtGn) and Feed Conversion Ratio (FCR). It may seem controversial but targeted euthanasia, throughout the feeding herd and especially in the early stages, can make a significant improvement to the cost effect of DLwtGn and FCR. By targeted I mean zero tolerance of compromised pigs, this should involve a conversation with the enterprise vet. It reduces the number of days on average that the feeding herd pigs take to reach sale weight and improves the cost benefit of a well-managed feed regime.

Weaning Age:

There is a direct relationship between weaning weight and feeding herd efficiency. Total herd FCR is the critical business figure in terms of cash-flow because feed represents upwards of 60% of operating costs depending on where the business is the investment cycle. This total herd FCR should be targeted at 3.0:1 on indoor units and as low as 3.2:1 on outdoor units. Most herds would benefit immediately from an increase in weaning age that brings about an overall increase in the average weaning weight. Of course this is a huge challenge because it requires extra space...in most cases that is one week of extra space requirement. One method of managing this, if extra space is available to create, is to consider multi-suckling creep fed pigs at around 10 days in adjoining farrowing crates, this requires careful planning of the loading of the crates with socially compatible gilts and sows from their respective service/dry sow groups and then moving them at around day 20 thus relieving the farrowing space a week early. In the outdoors this is workable using weaner tents and runs. The aim is to lift the weaning weight as much above 8kgs as possible, to produce better transitioned pigs into first stage nurseries to achieve greater overall feed efficiency.

And Beyond:

With immediate effect, producers can re-think their grading of pigs at weaning and in the later stages and reduce the hierarchy changes a feeding pig has to endure. Keep whole litters together at weaning...NOW... and minimize where possible the number of litters mixed together...where possible break down the group sizes through the system not increase them (I accept that this may not be possible).

There is a comprehensive explanation of the economics of culling in chapter 6 of my book 'Basic Strategic Pig Production (The Breeding Herd)' which is available in the Amazon book store.

Medium-term.

Start foundational work on herd shape:

The evidence based blue-print for successful pig production points to a parity distribution of 1 to 5 (I would go for 1 to 4 actually) and an average herd size or herd within a herd (size) of 500 to 600 productive animals. The short-term strategy of culling outlined above will begin this medium term strategy.

Parent Gilt Preparation and Management:

Historically, one of the first things to go when the pig price hit a sustained low against CoP was the maintenance of the introduction to the herd of replacement gilts, although it is a small percentage of cost and although it is performance critical in terms of the long-term output and, I believe, the health and feed efficiency of the herd, it is prominent in the operating cash-flow accounts and an easy target. In recent times an increasing number of producers have tried to mitigate this cost by introducing within herd multiplication programmes under the guidance and supply of the industry genetics companies. In an enterprise where there is anything from Great Grandparent to Grandparent to Parent (F1) production ranging from pure lines to criss-cross of F1 populations this 'cost' concern has been alleviated. However, the preparation and management of the gilt in these circumstances does not appear to have improved the overall herd performance and the percentage of gilts/parity 1 and parity 2 animals that are culled is unacceptably high and undermines the cost saving element of the strategy. Where this strategy has been well managed the enterprises achieving this standard are further on in the management of cost against pig price and have effectively reduced the cash-flow pressures in times of a poor pig price. There is sufficient information available to guide all breeding enterprises in this matter.

Lactation Management:

This aspect of pig management is critical on so many levels. Correct management of a sow's lactation, especially in the first production cycle of the sow's life has an intrinsic bearing on cash-flow, in good times as well as bad times. Maintain a continuous supply of clean fresh water to the gilt/sow. Birth mother colostrum production and availability is foundational...STOP CROSS FOSTERING IN THE FIRST 18 TO 24 HOURS AFTER FARROWING...study, understand and practice the appropriate average feed scale for the enterprise...support the lactating mother with creep supplement and fresh water to the suckling pigs from 7 to 10 days of age, indoors and out. Ensure that the level of management enables the gilt/sow to maintain a minimum of 10 piglets and more throughout lactation. This will support uterine recovery and a clean return to her oestrus cycling.

Long-term.

Build in mitigation for the inevitable financial cycle

One major mitigation for some enterprises is to sort out once and for all your replacement gilt policy from GGP/GP/Parent production...GP/Parent...Criss-Cross GP/Parent...Purchased parent. If purchased parent female is the herd policy, which it is for many then establishing and emergency plan is important in the mitigation of prolonged pig price reduction. One such plan is the identifying of parent sows

that have excellent records that include both good numbers born and weaned and no record of breeding failure, the parent sow will have all the right attributes in genotype and phenotype. Female pigs born to these sows can be ear notched at birth and when times get very bad these gilts can be brought into production from the slaughter generation to maintain a good herd shape and reduce cost in the cash-flow. This is an emergency (needs must) strategy only and not a regular management practice I would recommend. When considering this the producer may well decide to move to a within herd multiplication policy in partnership with the genetic supplier, I believe that this is a better option.

Infrastructure development as a result of some of the above suggestions may be required to ensure better pig-flow through the enterprise, reduced social compromise and improved accessibility to optimize feeding herd performance.

Short-term. (Immediate response to cash-flow mitigation)

Staff Morale, Wellbeing and Welfare

I put this at the end not because of degree of importance but in respect of hardworking pig producers who may read this offering as it would not read well as an introduction to serious consideration of how to fight the current financial situation facing the production industry.

This is a hard call but the pressure that the business is facing has to be turned into a project. This is achieved through discussion, understanding of the challenges and the appointing of appropriate roles and responsibilities, each with a clear definition of the contribution each will make to staunching the hemorrhaging cash-flow and the shortening of the recovery period for the business. Develop the team relationships by demonstrating how the herd production cycle links each member of staff through the fact that they are in a rotational supply chain and are therefore each other's supplier and customer. One of the best bonus schemes for achieving targets in recovery when the cash isn't there is time off within their normal paid working time, sometimes restructuring of the working week patterns to include extra time off regenerates staff.

I am happy to answer any questions on any of the above points or discuss the services that I offer as a pig production consultant.

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