

PORK Outlook

New Zealand
PORK

JUNE 2010

CEO Comment

Tough trading – time for a day off

The last 18 months has been a difficult one for the industry beginning with AH1N1 (swine flu), animal activist attacks and the recession biting into meat consumption. Beef + Lamb New Zealand analysis shows in the year until December 2009 while total meat consumption dropped 5.4%, pork product consumption increased 0.5% and the value of pork products sold grew approximately \$83 million or 15.3%, this is amazing resilience given the business landscape. However, the first six months of this year have been very tough, the trading conditions and your bottom lines attest to that. What are the issues here that are making it so difficult? The feedback from the marketplace is that conditions are harder now than they were last June, a bit of a “dead cat” bounce in terms of recession recovery. There are a combination of factors; restaurant and food service is flat with a steady stream of businesses going under and those trucking on are pushing hard on deals. At retail consumers are shopping the specials harder than ever and if you don't get the price point right the product isn't shifting. In the processed product sector pressure is coming from the retail trade to “do it at less cost”. This means that price of raw material is all the more important and with the Australian schedule falling like a stone – in the face of an import avalanche – and with some European product available at low prices that is placing immense pressure on NZ product in the processing and food service sector – you all know the result. We've also had bigger kills over the last couple of months with weekly kills running at 14,000-14,500; this is equivalent to 730-750,000 pigs on an annual basis. So looking forward how are things placed? The indications are that the Australian schedule is bottoming out, and prices are continuing to firm in Europe and North America, these two factors will see NZ being more competitive. Beef and lamb are currently short and this is expected to become more acute over the next couple of months – a traditional seasonal trend and this should open up greater opportunities for pork. The big question is what will consumers do and I don't have an answer for that one.

Given how tough it is out there I reckon you should take a day off – get off the farm, out of the factory or the shop and spend a day at conference. The conference speakers span consumers, the global and local economy, and the future of pork production. If we don't have people buying our product we don't have a future and one group that isn't buying enough of our product is Gen-Y. We've got internationally acclaimed speaker ZuZa Scherer a GenY'r herself to come and talk about this group and their consumer behaviour. We're also going to

hear from Hamish Sutherland (GM of Mainland Poultry) how the egg industry has delivered to consumers by offering a choice of products and what's happened with egg production and purchasing as a result. Tony Alexander (BNZ's Chief Economist) will provide a global and domestic economic overview and Terry O'Connor (Executive Manager of Viterra) will provide insight into grains future and Viterra's activities globally and in New Zealand. Rob van Barneveld who is an Australian Pork Ltd and Pork CRC director and the GM of Cameron Hall-McClean Alliance (a large Australian pork producer and processor) will provide an insight into future for the pork industry and the CRC. Last but not least, you can join us for an Industry Dinner and reflect and compare notes on the day's activities. I look forward to seeing you there, to register or for any questions – give us a ring at the office.

Sam McIvor ■

Environewz

Council policies and rules impacting on pig farming vary significantly around the country. An exercise was undertaken to document the differences in regional and district council rules three years ago, and is shortly to be updated to take account of changes through this period. A particular focus will be identifying “second generation” policies and rules which can be used as good practice benchmarks in discussion with other councils who are scheduled to review their plans in the coming year or two.

A particular area which has been subject to change within the last couple of years is council definitions of “intensive” farming. The expanded definitions have implications for other farming sectors as well as pork; and attention will be given to identifying areas of common interest and concern with other primary sector groups to support effective discussions with councils. For further information contact Liz ph 06 350 5082 or e.mcgruddy@massey.ac.nz

Outdoor Production Day

21 May 2010

Over 80 people attended the successful field trip and seminar including 7 Australians who flew over for the day. The day started with a tour of the CIE pig farm near Christchurch. A big thanks to Warren Chilton and his team for organising the transport (none of which had handcuffs or bars!) and showing us around the farm. Lizzie Press from Dalehead Foods, UK presented an interesting overview of the UK pig industry and the production of pigs by BQP for Waitrose. Phil Ellis, a pig farmer from Norfolk, UK then discussed his 900 sow outdoor breeding unit. Bruce Welch presented

performance data from NZ outdoor production followed by a presentation on Hamish and Vicki Mee's farm by Selwyn Dobbins. There were plenty of questions and discussion during the meeting and the day concluded with a happy hour sponsored by PIC NZ. Copies of the presentations are on the NZPork website at <http://www.nzpork.co.nz/PorkProduction/Housing.aspx>

SONZAF

The Situation and Outlook for New Zealand Agriculture and Forestry was presented by the MAF on 15 June. Exports are recovering as the impact of the global recession lessens and prices are expected to rise on the back of Treasury's exchange rate forecast. The US exchange rate is expected to be 0.53c by 2014, at that rate this month's US pork price would increase to \$3.42/kg. Copies of the report can be downloaded from <http://www.maf.govt.nz/mafnet/rural-nz/statistics-and-forecasts/sonzaf/>

Pan Pacific Pork Expo

Over 480 people, including a contingent of New Zealanders, attended the PPPE 2010 held on the Gold Coast from 16-17 June. The theme of the expo was 'Next Generation Pork – Finding the Balance'. Among the many interesting presentations two stood out for me:

Paul Patterson, Managing Director of Riverlea – Australia's largest intergrated pork producer – said that the 4 year "pig cycle" of over/under supply was gone as imports caused rapid and dramatic shifts in supply. In this crowded market place a commodity producer has an uncertain future and Riverlea have moved to become a food business. The urban consumer does not want to connect with farming but has a "food conscience" this is the reason that a major retailer wants "crate free" pork and Riverlea will remove sow crates from its farms by 2017. They see this as just one part in building a "food product reputation" in preparation for the inevitable challenge from fresh pork imports.

Dr Anne-Marie van Bussell, Sterskel Research Centre, reviewed Dutch research findings on group housing of sows. They had studied many variants and concluded that quality of management was key. Her advice was that any system can work well but the farmer has to find the system that he likes and can work with – good management is the key to success.

NB: long web links may not click through so copy and paste into browser address bar

Feed Grains Update

BARLEY: At a glance – buying of barley eases, inquiry increases

This month *porkoutlook* contacts report a slowdown in the barley market. As dairies dry off stock their demand has dropped. Buying is expected to re-start as calving progresses. In Auckland and Waikato barley supply is described as scarce and "hard to get". Increased costs of barley in Manawatu have been put down to storage charges and "general scarcity". In the South Island grain availability is again described as scarce with some barley being purchased for ongoing feed requirements.

MAIZE: At a glance – harvest heads towards completion

Maizeaction reports the Northland harvest as "almost completed" with "very variable" yields. The Auckland and Waikato harvest is reported as 60 to 70 percent complete. Northern Waikato harvesting is complete with below average yields, while in the South and Central Waikato *Maizeaction* reports yields as above average. Overall quality is good but due to the large amount of rain there may be "possible issues with grain down the track". The Manawatu harvest is over half way through. *porkoutlook* contacts report yields as "back on last year", with 'OK' quality. *Maizeaction* reports the Gisborne as nearing completion with "just average" yields. Meanwhile, in the Hawke's Bay the harvest is about ¾ complete. In both areas *porkoutlook* contacts are keen to see some dry weather to see the harvest completed.

WHEAT: At a glance – quiet market

porkoutlook contacts report the South Island market as "quiet" with "very little movement". Reported barley scarcity has increased inquiries about wheat availability with supply described as "more plentiful than barley". Manawatu correspondents report very little movement of grain this month with just the odd dairy guy reported as buying. In Auckland and Waikato, the market is "quiet" with wheat described as "hard to come by".

CEREALS: FREE MARKET PRICES AND TRENDS

Crop	Auckland/Waikato		Manawatu		Canterbury	
	\$/t	Trend *	\$/t	Trend *	\$/t	Trend *
Barley	390-400	+10	340-365	+5	300-330	+15
Maize	350-355	-5	340-365	+10	na	
Wheat	380-390	+10	350-365	+10	300-320	+20

Note: These prices are typical examples for delivery in bulk. GST is not included. They do not represent true averages of the prevailing market. *Change from previous *porkoutlook*. na = not available. nc = no change. nq = not quoted.

Proteins Update

At a glance – market is steady this month

porkoutlook contacts report the MBM and bloodmeal market as "steady" with little off shore activity. Production is at its peak and good supply of product is reported. However, this situation will firm as the kill "winds down". Fishmeal is still "hard to get". Again this month readers will observe some price fluctuations. These are a reflection of a broadening of our *porkoutlook* commentator's contributions.

PROTEINS: PRICES AND TRENDS

Protein Type	North Island		South Island	
	\$/tonne	Trend *	\$/tonne	Trend *
Meat & Bone	670 -720	nc	745 - 900	-5
Blood Meal	1275 -1300	nc	1225 -1350	-40
Fish Meal	2800 -3100	nc	2500	-450
S/Milk Blend	1300 -1350	nc	1200	-125
Ext. Soya Meal	750-760	-15	730	-40
Full Fat Soya	na		na	
Soya Oil (full refined)	1350 -1400	nc	1440	+65
Tallow	920 -1000	+40	850 -1100	+40
Lysine \$/kg	3.00	nc	3.15 - 3.30	+0.075
Methionine \$/kg	7.00-8.00	nc	7.00-8.25	+0.125

Note: na = not available, nc = no change
*Change from previous *porkoutlook*. These prices are typical examples for delivery ex. store in bag, in tonne lots. GST and pallet hire is not included. They do not represent true averages of the prevailing market for all ingredients. Crude protein content may vary.

Market Summary

NUMBERS AND WEIGHT OF PIGS BY CLASS								
Weight range	May 2009			May 2010			% Change	
	Total No.	Total Wt (t)	Av. Wt/pig (kg)	Total No.	Total Wt (t)	Av. Wt/pig (kg)	No.	Total Wt (t)
Under 50kg	3,630	134	39.9	4,064	170	41.8	12.0	27.3
50-65 kg	17,395	1,034	59.4	19,083	1,130	59.2	9.7	9.3
65-75 kg	21,533	1,501	69.7	25,388	1,772	69.8	17.9	18.0
Over 75 kg	12,250	1,022	81.6	11,116	905	81.4	-11.2	-11.4
Choppers	1,221	176	144.1	1,367	198	144.8	12.0	12.1
Total	56,299	3,867	68.7	61,018	4,174	68.4	8.4	8.0

12 MONTH CUMULATIVE KILL				WEEKLY KILL	
	May 2009	May 2010	Difference	w/e 09 May	
Number	704,545	687,094	-17,451 (-2.5%)	16 May	14,578
Tonnes	47,464	46,593	-871 (-1.8%)	23 May	14,170
Ave. Wt. (kg)	67.37	67.81	0.44 (0.7%)	30 May	14,560

IMPORTS BY COUNTRY, APRIL 2010 (KG)					12 MONTH CUMULATIVE IMPORTS (t)		
Australia	Canada	USA	Finland	Others	April 09	April 10	Difference
418,635	665,852	277,091	318,275	160,772	39,504	37,631	-1,873 (-4.7%)
23%	36%	15%	17%	9%			

IMPORT TYPE (t)							Proportion of total annual supply
Month	Chilled	Frozen	Processed	Cured	Total	CIF (\$/kg)	
April 10	0	1,806	18	17	1,840	4.56	44.8
April 09	77	3,377	39	26	3,518	5.12	45.1

Global Gossip

Free Space Utilisation of Sows in Free Access Stalls – Older and heavier sows used the free space area most, which may have implications for the comfort of younger animals. As the largest producer/packers in both the USA and Canada plan to move to group housing for sows over the next 10 years, all North American producers are anticipating a change to group housing.

<http://www.thepigsite.com/articles/5/housing-systems/3126/free-space-utilisation-of-sows-in-free-access-stalls>

Controlling Aggression in Group-Housed Gestating Sows – Proper management strategies can eliminate severe injuries and poor performance associated with aggression, and thus improve welfare and performance of pregnant sows in group housing systems.

<http://www.thepigsite.com/articles/2/breeding-and-reproduction/3129/controlling-aggression-among-grouphoused-gestating-sows>

Pig Manure has Higher Returns than Chemical Fertilizers – No significant differences in corn yield were found between organic and chemical sources of nutrients, but manure generates higher economic returns than anhydrous ammonia.

<http://www.thepigsite.com/swinenews/24156/manure-higher-returns-than-chemical-fertilizers>

Japan: FMD spread in pigs, cattle steadily slowing down – The spread of Foot-and-Mouth Disease (FMD) in the Japanese Miyazaki prefecture seems to be steadily slowing. There are still new outbreaks near towns and cities that haven't vaccinated against FMD. 291 Japanese farms have been confirmed infected through PCR tests and over 200,000 animals culled, including 162,174 pigs. The first outbreak of the disease was confirmed over 2 months ago but quarantine work in Miyazaki prefecture, the country's most important livestock production zone, is only proceeding slowly as a result of the rainy season.

<http://www.pigprogress.net/news/japan-fmd-spread-in-pigs-cattle-steadily-slowing-down-4336.html>

Sow stalls a thing of the past in Australia? – Sow stalls are in the spotlight again, and it may become a thing of the past in Australia. The pork industry in Australia will consider phasing out sow stalls if it is backed by the country's governments and retailers, according to reports.

<http://www.pigprogress.net/news/australia-sow-stalls-a-thing-of-the-past-4314.html>

Benchmarking: The Right Tool for the Times – Benchmarking is commonly spoken of but rarely implemented in pork production. All too often however the complexity of benchmarking cost of production, the next natural step in comparing production units, does not receive the same attention as productivity.

<http://www.prairieswine.com/publications/pdf-cos/COS%20Vol%2015%20no%202.pdf>

Record fine for Primo – Australia's largest producer of small goods has been slapped with a record fine for labelling 100 tonnes of bacon from overseas as "Product of Australia". Primo was fined \$237,575 plus \$200,000 in costs for mislabelling Danish and Canadian bacon products as Australian.

<http://www.foodweek.com.au/Default.aspx?tabid=53&ID=7539>

INTERNATIONAL PRICE TRENDS

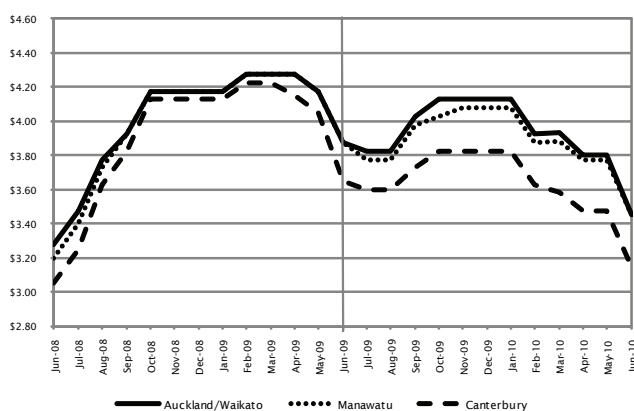
	NZ equivalent	
	end May	end Apr
Pork	\$/kg	\$/kg
Iowa/Sth Minnesota	2.57	2.46
Australian baconer	3.25	3.49
Feedstuffs	\$/tonne	\$/tonne
Corn no 2 Chicago	203	185
Soya meal 48%	469	454
M&B meal, Chicago	495	431
Barley, \$US/cwt	267	243
Feed wheat, Kansas	257	255
Hog: Corn ratio	21.5	23.5

SCHEDULE PRICES AND TRENDS

Sale Weight	Auckland/Waikato		Manawatu		Canterbury	
	\$/kg	Trend *	\$/kg	Trend *	\$/kg	Trend *
Pork (D1)	3.45-3.80	-30	3.45-3.80	-25	3.15-3.30	-45
Bacon (H2)	3.45	-35	3.45	-35	3.15	-30
Choppers #	1.55-1.65	-5	1.45	-45	1.65-1.90	-10

Note: These prices reflect the returns from a number of buyers and are obtained from the same source(s) each month so that trend movements can be observed. Prices are quoted for the D1 schedule (45.1 to 50.0kg carcass weight range, 6 to 9 mm back fat) and the H2 schedule (65.1 to 70.0kg carcass weight range, 10-12mm back fat). The prices do not account for volume or quality premiums that are available from many buyers. *Change from previous *porkoutlook*. #The chopper price variations reflect differences in trading policy, inclusive or exclusive of heads, feet and skins.

AUCKLAND/WAIKATO/CANTERBURY REGION BACON PRICES



Schedule comment

At a glance – schedule down this month

porkoutlook contacts report the market as “flat” with supply and demand “out of balance”. Competitively priced imports from Aussie, Canada and Scandinavia continue to impact the market, with especially cheap middle and shoulder cuts reported. Australian schedules have been falling but they appear to be bottoming out. Red meat prices are on the rise due to a squeeze on availability of both beef and lamb. This should lead to stronger demand for pork.

How to Cook Perfect Pork Safely...

Did you know that pork is a red meat? That means that it is perfectly OK to cook it with a hint of pink – just like beef and lamb. In fact cooking it this way means your pork will be juicy and tasty every time – perfect!

Pork Steaks = 3+3+3

1. Preheat pan to medium heat
2. Rub steak with oil and season with salt and pepper
3. Fry each side for 3 minutes, turning only once
4. Remove from pan and rest for 3 minutes

Pork Chops

1. Rub the chops with olive oil and season with salt & pepper
2. Preheat a heavy-based fry pan, add the pork chops, cooking for 5 minutes on each side
3. Place on a plate, rest for 3 minutes

Porkballs

1. Pork mince binds to itself, so it's great for meat balls
2. Preheat pan to high for 1 minute
3. Add a splash of oil once the pan has heated
4. Add porkballs and stir fry until they change colour



Event Diary

NZPork Industry Conference/ Annual General Meeting

The 12th Industry Conference/ AGM will be held on Monday 19 and Tuesday 20 July 2010.

The Food Show Auckland 29 July-01 August 2010

Contact Sharon sharon.bowling@pork.co.nz or Hadleigh hadleigh.smith@pork.co.nz if you're able to help us to help the industry.

Sow Housing Seminars

This is a preliminary notice for a series of seminars planned in early September focusing on group housing for gestating sows. Dates: Hamilton Tuesday 07, Palmerston North Wednesday 08, Timaru Thursday 09 and Christchurch Friday 10. Further notices will follow with time and venue details.



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