



BANFF PORK
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news release

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For Immediate Release:

Banff Pork Seminar: pork industry gets tentative ‘thumbs up’ from market watchers

Banff, Alta., January 26, 2009. Pork producers and their industry counterparts, looking nervously at the next few months, got a tentative thumbs-up from two market watchers on prospects for profitability on both sides of the border. They spoke at the Banff Pork Seminar, an annual seminar that brings together national and international speakers and delegates from around the world.

Grant Lazaruk is the chief operating officer of Hytek Ltd., Canada’s largest integrated producer of pork. He says tackling production cost disadvantages such as high feed costs, transportation, labour and asset utilization may drive opportunities for cost reduction for the Canadian pork industry in spite of the global economic slowdown.

With demand steady, liquidation of supply is key to addressing rising feed costs, says Lazaruk. Put simply, if costs rise by 30 percent, the price of pork will need to increase by the same amount. “In this case, it would require a reduction in supply of approximately seven to 10 percent to achieve this.”

Managers should not underestimate the value of experienced, productive staff in keeping production costs down, says Lazaruk. “A decrease in yield at the plant of one percent will decrease your revenue by two dollars a hog. Experienced staff directly impacts the cost per pig.”

Keeping links in the pork value chain as close to each other as possible is key to reducing significant transportation costs, says Lazaruk, and is a clear advantage of integrated management systems such as those used by Hytek. Finally, getting maximum value from every asset is crucial.

“We estimate that 12 to 15 percent of hog production assets are underutilized. Processing facilities are being underutilized if they function only during a single shift. Even with down time for cleanup and repairs, a processing plant can be in operation for 16 hours a day.”

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Ultimately, Lazaruk believes that pork, while not recession-proof, has a higher chance of survival and profitability in an economic slowdown than many other products simply because it's an affordable source of meat protein that people tend to eat at home. "The world economic recession has slowed down international markets for pork, but in the end we still must eat."

Ron Plain is a professor of ag economics with University of Missouri-Columbia and a frequent speaker to the Canadian pork industry. His call is that the pork market of the near future will be marked by a decrease in Canadian hog exports, a decrease in U.S. pork exports, weak domestic demand in both countries, "semi-high" feed costs, and a decrease in farrowings in response to all of the above.

"Financial losses, due in large part to high feed prices, have caused both U.S. and Canadian hog producers to reduce the number of litters they are producing," says Plain. "This has led to an expected 2.7 percent decline in combined U.S. and Canadian hog slaughter. This should lift 2009 hog prices closer to break-even levels."

One other factor is the continuing increase in productivity, says Plain. Producers are continually improving the number of pigs produced per litter, which offsets part of the impact of reducing the number of litters farrowed, he says.

Although Plain says producers can expect feed prices to remain high due in part to ongoing government support of ethanol in the U.S., he does not foresee them returning to the record-breaking highs seen in 2008. "Even if corn is four dollars a bushel, it's still awfully cheap compared to the seven dollar a bushel corn we had back in the summer."

Held since 1972 in Banff, Alberta, the Banff Pork Seminar is coordinated by the Department of Agricultural, Food and Nutritional Science, University of Alberta, in cooperation with Alberta Pork, Alberta Agriculture and Rural Development and other pork industry representatives from across Canada.

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Media note. For news releases and photos from the Banff Pork Seminar, please visit the 'Banff Pork Seminar Special Meeting Report' at www.meristem.com.