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# Hemorrhaging money

By JOSH FLINT

**B**ARRING a rapid turnaround, pork producers will be losing money on hogs for at least the next six months.

With corn prices above \$7 a bushel, Phil Borgic, president of the Illinois Pork Producers Association, says breakeven for pork futures is \$80 to \$85 per cwt. "We're a long way from breakeven," Borgic says. "And with the volatility of corn prices, we don't even know where the bottom is."

In early July, he estimated the loss per hog at \$15 to \$20. He likens the current scenario to the fallout in 1998, when hog prices scraped bottom. However, feed costs are infringing on profits this time.

Jim Fraley, Illinois Farm Bureau livestock program director, remembers the fallout of '98, when the government stepped in and bought entire herds to help boost prices and eradicate pseudorabies.

"At that time, hogs were backing up in the pipeline, and we didn't have the harvesting capacity," Fraley notes.

## Resuscitating hog prices

Fast-forward 10 years. Hog producers are in dire straits again, but for different reasons. Fraley says slaughter capacity has caught up, and pork demand overseas has been tremendous. However, hog prices haven't followed grain prices up the ladder fast enough.

"You have very high input costs right now, and your product isn't worth enough," Fraley explains. "You're getting hit with a double whammy."

In this atmosphere, he's heard some producers can't give away weaner pigs. "I've heard reports of people euthanizing young pigs because they



**EXPENSIVE BACON:** Lehmann Bros. Farms continues to take losses on its 120,000-plus herd of hogs. Co-owner Art Lehmann expects the grocery consumer to feel the full force of increased feed costs within a year.

## Key Points

- Hog farms will continue to lose money for another six months.
- Pork prices have not kept pace with feed costs.
- Pork producers say ethanol has an unfair advantage.

just don't want to feed them," Fraley says. "Some people are taking this as an opportunity to depopulate, take a break and get rid of disease."

The ethanol industry also has been stifled somewhat due to the run-up in corn prices, with production at some eth-

anol plants reduced or on hold. But Borgic says idling a hog operation is not an easy task.

"You can't shut a hog operation off and on," Borgic adds.

If he stopped breeding pigs today, it would take 10 months before the market saw a reduction in pigs available for slaughter.

If the market turned around, it would take him another nine months before he was ready to sell a weaner pig. After another five months, he would have hogs for slaughter.

IPPA is also unhappy with what Borgic calls an "uneven playing field." He explains the

renewable fuels standard's tariff on imported ethanol and the 51-cent blender's tax credit (soon to be reduced to 46 cents) are giving an advantage to the ethanol industry.

"We don't deny the grain farmer anything," Borgic says. "We're just concerned that we're not on the same playing field with ethanol. If we crash and burn and we're all on even ground, then that's the American way."

Fraley details a typical finishing hog diet as 85% corn and 10% to 12% soybean meal. A 285-pound market hog will consume 800 pounds of feed, or 760

pounds of corn, in its life.

Yet when it comes to stretching corn, Borgic says producers are getting pretty innovative. Some have increased the inclusion of distillers grains to as much as 30% of the ration. More producers are feeding DDG in the 15% to 20% range.

Others are using unorthodox feeds, such as dog food. "I heard of one producer who unwraps stale candy bars and grinds them up in the ration," Borgic adds.

■ To find out how Lehmann Bros. is coping in this market, turn to Pages 8 and 9.

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