

Pork trying to catch corn

By JOSH FLINT

AS Art Lehmann, co-owner of Lehmann Bros. Farms, puts it, "If you're still in the hog business today, you're a survivor."

He remembers when pork prices were less than \$10 per cwt. in 1998, and corn prices were over \$5 a bushel in 1996. Yet he thinks today's market situation is even tougher.

The Lehmanns market more than 120,000 hogs each year in conjunction with 25 contract growers. Art manages the operation, while brother Ken runs the feed mill. Art's son-in-law Brett Beyers works with the contract producers.

"For the pork industry, it's been very difficult since last September," Art says. Live weight prices in early July were in the mid-\$50 range per cwt. According to Art, this type of hog market would support corn costs of \$3 to \$3.50 per bushel.

He remembers it cost \$50 to feed a hog from wean to finish in early 2007. Now, it's costing him \$100 to feed out the same animal.

Dale Weitekamp and his brother, Allan, produce 26,000

Key Points

- Farrowing intentions will fall with liquidation.
- Holding on until prices catch up is key.
- Consumers will eventually feel the pain of high feed costs.

hogs per year near Raymond. Dale says it takes an added \$6.50 per cwt. of pork to cover a \$1-per-bushel corn increase in a wean to finish operation. For farrow to finish, add \$8 per cwt. to cover the \$1 increase. Currently, Dale estimates a loss of \$20 to \$25 per head. "It looks pretty bloody for at least another six months," he adds.

To break even with \$7 corn, Art Lehmann says live weight prices need to be at least \$65 per cwt., a futures price of over \$90 per cwt. He expects these prices are at least a year away. "Right now, the industry has to reduce the sow herd," he adds.

Evolved rations

According to the Quarterly Hogs and Pigs Report released in late June, there has been a 1% reduction in the sow herd from last year. Farrowing intentions for September/November are down 4% from last year. Art says the data may not reflect the latest round of liquidations. He expects the number to be down even further in the September report.

"With the flooding we had in the Midwest and the run-up in corn prices, I think liquidation really picked up," he notes.

Art also recommends selling market hogs at a lighter weight. He estimates the current average market weight is 263 pounds. "It probably needs to be down another 10 pounds,"



WHAT TO EXPECT: Art Lehmann (left), his son-in-law Brett Beyers and Art's brother, Ken, have been losing money on their hogs since the fall of 2007. Art predicts another year of losses before things start to turn around. He says futures prices need to be over \$90 per cwt. to support \$7 corn.

he adds.

Three years ago, the Lehmanns fed their hogs a diet of 70% corn and 25% soybean meal plus vitamins and minerals. Their current finishing diet looks like this: 55% corn, 20% dried distillers grains, 13% soybean meal and 12% other alternatives.

Although DDG makes up 20% of the finishing diet, Art says it's not a good feed for hogs. He notes ethanol producers like to market it as a replacement for corn, but it's not.

"What you're doing with ethanol is you're removing a lot of the energy," he explains. "Plus, it has too much fiber, and it can have up to three times the amount of mold as corn."

When DDG is fed over 20%, Art says the fat begins to soften. This makes it more difficult for the meat packer at harvest. For the final two weeks prior to har-

vest, Art cuts the DDG inclusion rate to 10% to help alleviate this problem.

In July, the Lehmanns were able to secure DDG for \$8 to \$10 a ton. Art tries to purchase from one or two ethanol plants to help ensure a consistent product, another DDG shortcoming.

The Weitekamps' current ration includes 15% DDG. Dale agrees there is a savings with the product, but you have to be set up to handle it. For each 200 pounds of DDG added to the ration, he deducts 50 pounds of soybean meal and 150 pounds of corn.

Survival strategy

For now, it's a waiting game. Art quotes Mark Greenwood, AgStar Financial Services, as saying pork producers have lost 4% to 5% of equity per month since October. "As smaller, more in-

dependent producers run out of equity, banks may shut them down," Art adds.

Dale Weitekamp expects the losses to continue for another six months. He agrees producers need to sit down with lenders and discuss how long it will be until it turns around.

Unlike the Lehmanns, who raise 20% of their corn needs, small producers are typically able to feed their own corn. This helps soften the blow, but they still miss out on the opportunity to market \$7 corn.

As far as marketing agreements with packers, Art says most contracts aren't helping the producer right now. Most contracts were written to protect the producer against very low hog prices.

"I know there are some cost of production contracts out there that cover the high price of grain," Art explains.

Liquidate herd just to hang on

EACH day, Kurt Probst's 5,000 hogs are eating him out of profit. He also farms 2,000 acres in the Stewardson area. In February, he ran out of his own corn. Now, every bit of the feed ration, which comes from a local mill, includes \$7 corn.

"We're not sure what we're going to do now," Probst says. He's already accepted the reality of having to feed his own \$7 corn after harvest, something he's not happy about.

Earlier this year, Probst got out of the farrow to finish business by liquidating his 600-sow herd. He says one of the only things keeping him alive is producers giving away weaner pigs. "If we had to pay \$30 for each of those weaner pigs, we'd really be in the hole."

Still, he's not sure where he'll be in the future. He remembers his father's decision to stop milking cows 28 years ago. Now, 28 years later, he's out of the farrow to finish business with hogs. "It was time to change direction after 28 years," Probst adds. "It was a hard decision at first, but now I'm glad I did it."

Independent hog farmer trims production costs

LARRY Wernsing is another hog farmer struggling to survive.

Through various partnerships, Wernsing feeds approximately 18,000 hogs. He also farms 1,200 acres near Harvel.

"This \$7 corn is wreaking havoc in the hog industry," he says. "It is a challenge like I've never seen."

Wernsing markets his hogs independently. "Being independent right now is good, there's no doubt in my mind."

For him, fuel costs factor heavily into where he sells his hogs. His two primary markets are the Excel Corp. in Beardstown and Tyson

Foods in Logansport, Ind. Since Tyson is a 500-mile round-trip, and Excel is only a 200-mile round-trip, most of Wernsing's hogs end up in Beardstown.

"This fuel thing is getting huge as far as how producers are marketing their hogs," he adds.

It's getting so huge that Tyson recently called Wernsing, along with other hog farmers, and asked if a fuel surcharge would help secure a greater share of hogs.

Despite the bleak outlook, Wernsing sees a few opportu-



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nities out there. As a grain farmer, he's seen input prices keep pace with grain prices. This should make it easier for him to find a market for his hog manure.

"I might be able to bargain some corn from a neighbor farmer in exchange for me spreading manure on his fields," Wernsing says.

Based on last year's N-P-K analysis, Wernsing was able to sell manure for \$100 per ton. He expects it will be worth even more this year.

He also hopes to take full advantage of distillers grains. In

March, Center Ethanol opened in Sauget. Many country elevators ship grain to terminal elevators in the same area.

"Right now, 90% of those trucks are coming back empty," Wernsing says. A deal with a local grain elevator could cut down on transportation costs for DDG from Center Ethanol. Wernsing estimates it would only add 15 minutes to the trip.

Other options include feeding grain sorghum, which Wernsing explains is a one-to-one replacement for corn. Only problem is, he can't find any in central Illinois. He also plans on feeding more wheat this year. However, this is only a partial