

by KATE PROCTER

For Ontario pork producers, Ken McEwan's research on cost of production and farm inputs offers both good and bad news. The bad news comes as no big surprise – many of the farm inputs measured in the study have increased since 1997.



DOWN STONEMAN

Ken McEwan

The good news is that Ontario producers can compete head to head with producers in both Iowa and Manitoba on cost of production in most years, assuming similar levels of productivity are achieved.

For producers battling negative cash flows for the past two years or more, McEwan's report provides some welcome news that relief may be coming soon.

Since the mid-1990s, Ontario producers have been importing corn from the United States. In early January 2008, producers could finally purchase Ontario corn for about the same price as corn in Iowa.

This is very good news because it should put some pressure on pork producers in the United States to reduce inventories, which will hopefully bring the price of pigs up for Ontario producers as well. "These things change very quickly," adds McEwan, a college professor who focuses on applied research in the areas of farm and agribusiness management at the Ridgetown College of Agricultural Technology.

McEwan's study followed producers in Ontario, Manitoba and Iowa since 2002. Profitability was very dependent on feed costs, although he found that all costs have increased during the period. For example, between 1997 and 2007, diesel fuel has increased from \$0.40 per litre in 1997 to \$0.83 per litre in 2007 and anhydrous ammonia has increased from \$478 to \$755 per tonne.

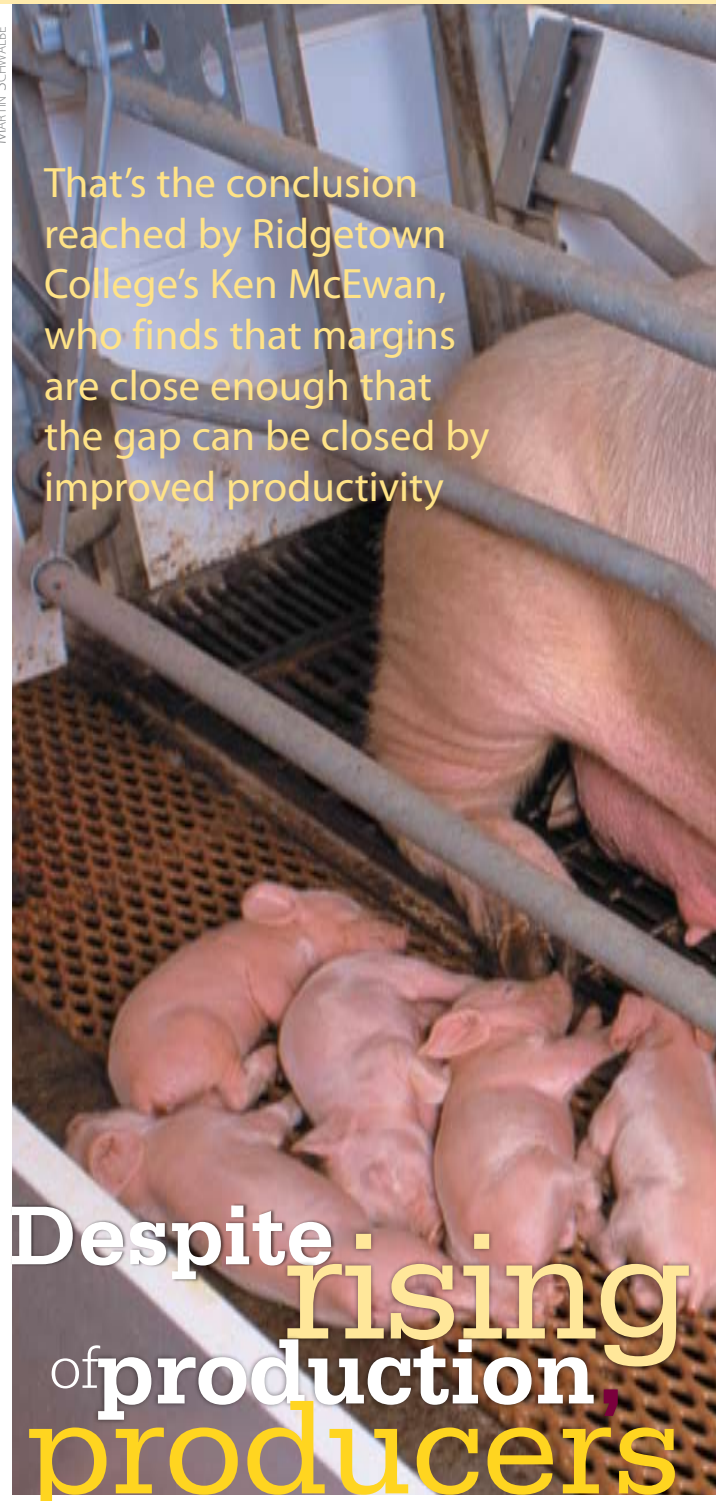
While some of the differences can be overcome by improved productivity, the U.S. Midwest has definitely had

Canadian

an advantage in lower feed costs. There was also some evidence of higher costs for transport, interest rates, building costs and land in Ontario, compared to the United States and Manitoba.

The cost of growing crops in Ontario has historically been fairly competitive with the United States, largely because of the relative values of the Canadian and U.S. dollars, explains McEwan. Crop input dealers are now facing significant pressure from Canadian producers to reduce the price on crop inputs to be more competitive with prices across the border. Together with higher prices, this gave U.S. producers more

MARTIN SCHWALBE



That's the conclusion reached by Ridgetown College's Ken McEwan, who finds that margins are close enough that the gap can be closed by improved productivity

Despite rising of production, Canadian producers

revenue per pig, making it difficult for Ontario producers to compete. In spite of these factors, "nothing we found was insurmountable," says McEwan.

Producers need to be going through their input costs line by line, he says. Alternative feeds, such as bakery products and wheat shorts, may help to reduce the cost of feed. While there may be a slight productivity trade-off, most people are willing to sacrifice some performance to bring the cost of feed down. Utility and labour costs are also areas where producers may find ways to reduce costs.

Perhaps the biggest impact is the depreciation of the

Funding for this research has been supplied by Ontario Pork, the Canada-Ontario Research and Development (CORD) Program, an initiative of the federal-provincial-territorial Agricultural Policy Framework designed to position Canada's agri-food sector as a world leader. The Agricultural Adaptation Council administers the CORD Program on behalf of the province. Special thanks and appreciation is extended to Research Associate Randy Duffy for his skills in data analysis.



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American dollar, which has had the effect of lowering prices for Canadian hogs by 30 to 40 per cent – a difference of \$54.17 per pig between 2002 and 2007. “That is a huge obstacle to overcome,” says McEwan.

Nonetheless, McEwan remains optimistic about the future of Ontario pork. “We learn how quickly these things can change,” he notes. When all production inputs were

compared in farrow-to-wean operations between 2002 and 2006, it was estimated that Ontario producers realized a profit of \$2.66 per pig, Manitoba producers \$2.90 per pig and Iowa producers \$2.16 per pig.

“When margins are that close, differences can be overcome by improved productivity,” McEwan says.