Aug 25, 2009 (Agweek Magazine - McClatchy-Tribune Information Services via COMTEX) -- Market experts are warning pork producers that they may have to hold on until 2010 before they begin to see a turnaround in what some are calling the worst crisis ever to strike their industry.

"The financial people that do a lot of the numbers for us are telling us to be readyfor another three to six months of severe losses," says Paul Dukhart, president of the North Dakota Pork Council. "So this industry is in big-time trouble, right now."

It already had been struggling for nearly two years because of bloated inventories, escalating feed costs and, more recently, the economic recession. Producers had been losing in the neighborhood of $20 per pig.

"We knew we were going to have some issues with the number of hogs that needed to be slaughtered over the next three to four months, but figured we were going to work our way through the system and have respectable, or above break-even prices by the end of July," Dukhart says.

Producers did reduce the overall U.S. herd by 3 percent from the previous year, but the effort was too little and too late.

In April, the H1N1 virus hit the news and national media began using the term, "swine flu." Almost immediately, consumer confidence in pork slipped and Russia, China and other trading partners cut off imports from U.S. states and Canadian provinces.

"A year ago, the United States was exporting 20 percent of all the pork that was produced in the U.S. Right now, that number is closer to 15 percent," says David Preisler, executive director of the Minnesota Pork Board and the Minnesota Pork Producers Association. "So we've had, almost instantaneously, 5 percent more product put on our domestic market."

The effects from the 3 percent herd reduction were wiped out overnight, supply swelled again and prices plummeted. Producers now were losing $30 per head.

"We lost about $7 or $8 per head right after the initial scare," Dukhart says.

The National Pork Council responded as quickly as possible to restore consumer confidence, imploring media outlets to stop using the phrase "swine flu" and to let consumers know that pork was a safe food.

Before April, pork producers had been holding out for the summer, hoping the traditional summertime rally in prices would begin to turn things around. But the swine flu scare effectively killed off the 2009 summer rally.

Farm fallout Producers began getting nervous, especially when talk at the coffee shops was that bankers also were getting worried. Some producers had sold out to other producers, thinking that that option was preferable to leaving the farm altogether. But even that alternative is fading as funds grow more scarce.

"There aren't other folks that are in a financial position anymore to come in and acquire anything," Preisler says. "Now, farms will tend to just sit empty."

Current projections in Minnesota, whose pork industry is second only to that of Iowa's, are that one of every 15 hogs there will be sold off and that 300 on-farm owners and employees will lose their jobs. Losses through October are expected to top $130 million.

The story is the same in North Dakota, though on a much smaller scale.

"I would say we lost 10 (percent) to 12 percent of hog producers shortly after the April incident," Dukhart says. "Most of them were farrowing operations that farrowed less than 25 or 30 sows. The real small farrowing operations are basically gone."

Swine barns around North America have been reducing their inventories, unable to stay afloat while feeding hogs at a loss, he says. In some cases, the smaller operations, which tend to have more diverse means of income, may be able to outlast the larger, hogs-only operations.

Securing loans for operating costs soon may become more difficult. In North Dakota, Dukhart says he has been getting reports of banks being reluctant to loan money to pork operations, though he has not heard of any banks officially cutting off funds. The Minnesota Pork Producers Association called a meeting with 65 banks to look at the current situation and address concerns over the projected losses. Thus far, operating funds appear to be available still to U.S. hog farms.

But in Manitoba, things are very different.

"We've been losing money in our hogs here probably a year longer than our American counterparts, due to the fact that our Canadian dollar took a huge rally," says Karl Kynoch, president of the Manitoba Pork Council in Winnipeg.

The higher Canadian currency scared away some foreign buyers, while its producers already were dealing with the same high feed costs as U.S. producers. Canadian access to U.S. markets also had become restricted under the newly enforced country-of-origin labeling legislation.

"We are actually getting to the point where some of the banks are very nervous and they put pretty heavy restrictions on access to money," he says. "Some producers got cut off completely -- they're right at their limit."

Kynoch says others are closing now "because they can't afford to feed the animals any more."

Over the hump Canadian producers, some of them already facing a $50-per-head loss, have sold off 13 percent of their sow herd, and hope U.S. producers will follow suit to help tighten supply.

But where the bottom is and how long it will be before pork prices do begin to recover, no one knows.

"We're just probably starting into the worst part of it here, in the next couple of months," Kynoch says. "Until the smoke clears, we're not going to know where the numbers are gong to stop."

Meantime, the price slide continues; hog prices recently have dipped below $100 to just $95 per head. U.S. pork producers now face a $40-per-head loss and Canadians a $60 per-head loss.

Still, Preisler wants his producers to hang on.

"We need to keep our eye on the ball long term," he says. "We're still going to be here after this is over, but it's going to be a rough few months as things shake themselves out."