

Glanbia, Dawn and Grampian industry saviours?

THE October league is unchanged compared to September. Weighted average price remains at €1.31. However the October league is all about change. It marks a watershed.

This will be the last time that Galtee appears on the screen. Significantly they top the league on their last appearance. There will be no encore.

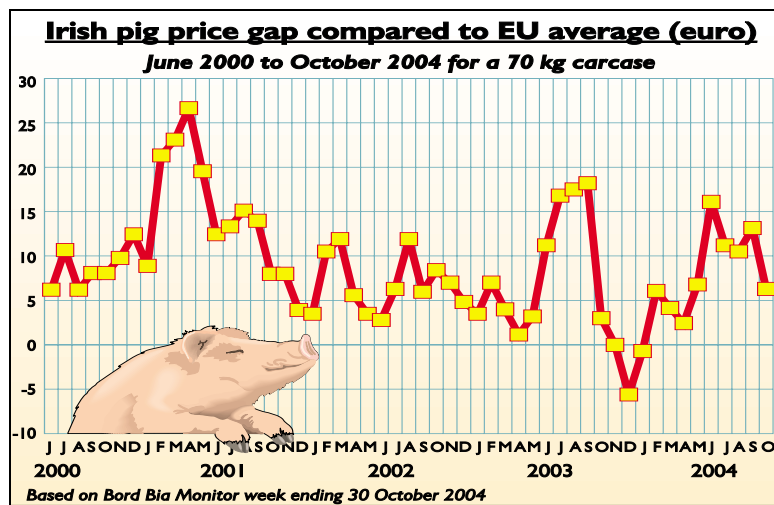
So now a major responsibility rests with the three main players on the island, namely Glanbia, Dawn and Grampian. Can they be the saviours of the Irish pig industry?

The price they pay to farmers for their pig will determine their status — saviours or otherwise. They have a serious responsibility. How they discharge that responsibility will determine the future of the Irish pig industry. Do they take a long term view based on partnership with suppliers or go for a quick "buck"? The quick "buck" can deliver faster profits but what of the future of the 21st century Irish pig industry?

Obviously there should be an agreed procedure on the level of price paid to farmers which reflects EU market returns.

Surely "tangling" on prices like an old style fair day in the 19th century is not the way forward for modern, sophisticated food processing sector in the 21st century.

Let's have a procedure where Irish pig prices are indexed to say the EU average as published by Bord Bia or



any other agreed formula which underpins partnership. The objective is to close the gap between Irish prices and the EU average which has existed for years.

The October graph on this page again demonstrates this point. The weighted average from our pig league is €1.31 (this is based from actual returns from farmers). The EU average for the week ending the 30th October is €1.40. This leaves a gap of €0.09 per 70kg carcass.

The equivalent of €140 per sow per annum. For the 300 sow family unit that is a penalty of €42,000 from the bottom line. This €42,000 has nothing to do with on farm performance.

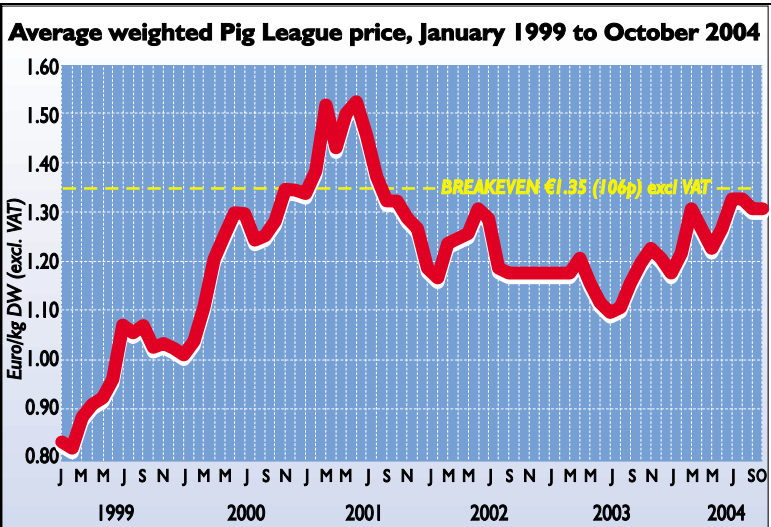
It is all about the price the factory pays the producer. Figures on this scale will determine whether a farmer stays in business or closes down.

The objective in the new world with only three main processors is to eliminate that gap. There has now been a major rationalisation in the processing sector. It is time that this rationalisation delivered to primary producers.

Otherwise rationalisation is just a children's fairytale.

October 2004 pigmeat price league table

Factory	Oct 04 per kg dw	Sept 04 per kg dw	Jan 98 per kg dw	Difference per 70kg vs Oct 04	Oct 04 price as of Jan 98	Est share of national kill in each factory
Division No 1 €1.32 or over						
Galtee	1.33	1.33	1.17	11.20	114%	16%
Dawn	1.32	1.32	1.17	11.50	113%	16%
Division No 2 €1.30 to €1.32						
Roscrea	1.31	1.31	1.13	12.60	116%	12%
Edenderry	1.30	1.30	1.13	11.90	115%	12%
Division No 3 Under €1.30						
McCarren	1.29	1.29	-	-	-	-
Northern Prices						
Cookstown	1.33	1.33				
Pork Prices						
Coyle	1.34	1.34				
Salter	1.33	1.33				



Denmark: 6% price rise forecast

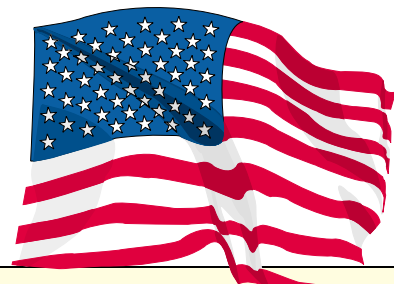
THE Danes are forecasting a 6% increase in pig prices for 2005. This welcome news emerged at a recent Danish pig producers conference. Lindhart Nielsen, Chairman of the National Committee of Pig Producers at this conference predicted further growth in Danish production saying "pig production in Denmark will grow moderately in the next few years. It is expected that production will rise from 24.5 million pigs in 2004 to 25 million in 2007.

This development will have few consequences from an environmental point of view as it will take place against a background of declining cattle production, which is expected to fall by a quarter over

the next ten years. In theory, this would allow an increase of 11% - 12% in pig production with no environmental consequences."

Denmark is now the world's biggest exporter of pigmeat. Their planners see exports up 19% by 2015. They make the point that in the absence of regulatory limits on pig production it is an obvious target for expansion in Danish agriculture. Current Danish production is over seven times the level of production in the Irish Republic. The average size of Danish sow units is 200 which shows that family owned pig units can stay in business when they get fair place on factory prices. The current Irish figure is 380 sows per unit.

Ten American producers control 33% of output



THE dramatic rise in the scale of pig units in Ireland is well documented. Today we are left with under 500 serious producers. The estimate is that 10% of those producers now control 60% - 70% of Ireland's 160,000 sows.

This looks like major scale. That is until one looks at US figures. Their estimate is that 10 US producers control 33% of US pig production. The top unit is Smithfield farms with under one million sows, the smallest producer in this league has a mere 73,500 sows.

The accompanying table sets out the top ten producers. It shows that they have a total of just two million sows. Current US pig prices are running 30% above their normal season

level. This is against the background of one of the highest ever kills in the US.

USA's leading 10 pork producers, 2004

Ranking	Company	Number of sows
1	Smithfield Foods	808,000
2	Premium Standard Farms	225,000
3	Seaboard Farms	213,600
4	Christensen Farms	144,000
5	Iowa Select Farms	130,000
6	Pestage Farms	130,000
7	The Pipestone System	100,000
8	Cargill	99,000
9	Goldsboro Hog Farm	76,000
10	The Hanor Company	73,500

SOURCE: SUCCESSFUL FARMING