

Dawn's three in a row performance

By Joe Rea
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THREE in a row is difficult in either sport or business. Yet that is the story on pig prices. Dawn have topped the Pig League for the months of August, September and October. A three in a row performance. That is the key fact emerging from the October Pig League.

As in previous months, Dawn are clearly ahead of Glanbia. This raises the most fundamental questions on performance. Yes, Glanbia is a plc — but a plc with a majority of the shares still held by a co-operative.

The whole concept of a co-op is that they should be price setters with the objective of keeping pressure on competitors. Resulting in a fair return for producers. Currently Glanbia is operating in the reverse of this process.

I have clear recall of some-

thing similar happening to beef in the 1970s. Cork Marts-IMP were totally farmer owned and had a dominant position in beef processing. To say the least they were not price setters.

The result was that they opened the door to some very professional, well managed beef processing operations which are still with us today. The logic of this process is simple.

The Cork Marts-IMP paid X pence per lb for beef. IMP at this level gave brilliant opportunities for competitors. So the private boys paid x plus 1%, leaving lots of room for their own profitability — simply because of their great efficiency.

X plus 1% was still a poor price but it enabled the new boys on the block to grow and expand. Their price was respectable because it was better than the IMP price.

At that time, I was deputy

president of the IFA. I drew public attention to the management morass which was sending IMP and its shareholders down the tubes.

The response from the IMP farmer board members was to say they would refuse to collect IFA levies unless I desisted from drawing attention to the IMP management cock up.

There was a view at the time, that people like me should be cast into exterior darkness with lashings of teeth because I thought co-op efficiency was a good idea.

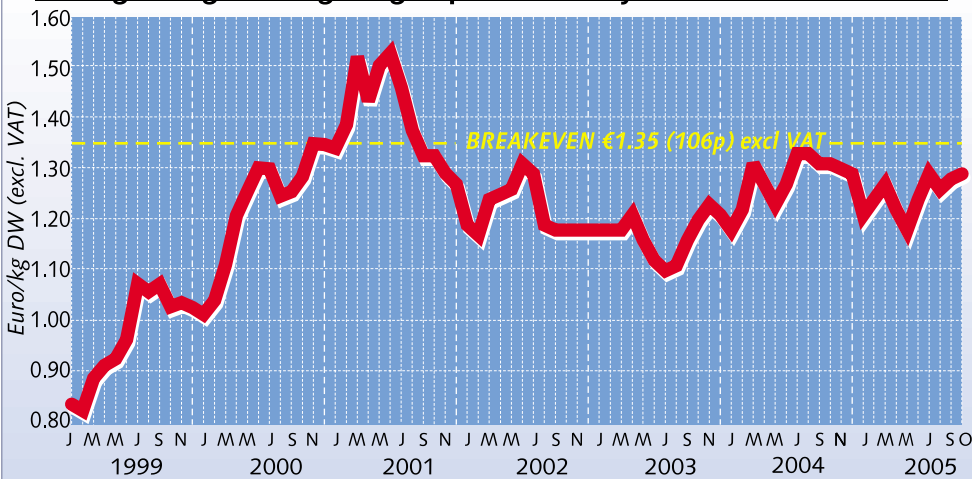
Glanbia's board and management are far too clever to adopt this 'ransom' type approach. They have shown capacity to identify good management and put them in place.

Obviously, their pig operation cannot remain the lame dog of their operations. Pace setting on price is essential. This means beating Dawn in the League.

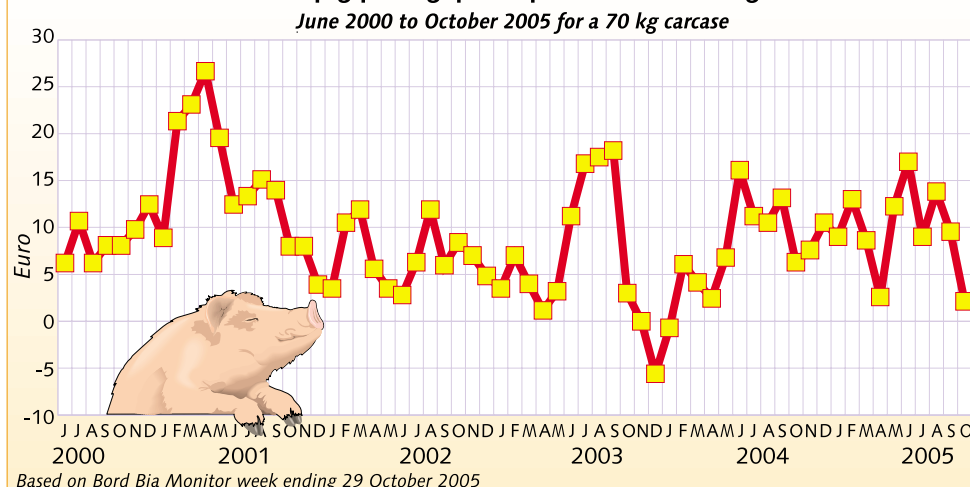
Oct 2005 Pigmeat Price League

Factory	Oct 05 per kg.dw	Sept 05 per Kg.dw	Jan 98 per kg.dw	Oct Price 05 expressed as % of Jan 98	Est Share of National Kill in each factory
DIVISION No. 1 - OVER €1.30					
Dawn	1.31	1.31	1.17	112%	16%
DIVISION No. 2 - UNDER €1.30					
Edenderry	1.29	1.28	1.13	114%	15%
McCarren	1.28	1.28	-	-	8%
Roscrea	1.28	1.27	1.13	113%	30%
Weighted Avge	1.29	1.28	-	-	-
NORTHERN PRICE					
Cullybackey	1.32	1.38	-	-	-
Cookstown	1.32	1.34	-	-	-
Grants	1.31	1.34	-	-	-
PORK					
Coyle	1.32	1.31	-	-	-
Corbally	1.32	1.30	-	-	-
Salter	1.31	1.30	-	-	-

Average weighted Pig League price, January 1999 to October 2005



Irish pig price gap compared to EU average



US consolidation

US's top 10 pig producers by sow herd size 2005

Ranking	Company	# of Sows
1	Smithfield Foods	798,000
2	Premium Standard Farms	221,000
3	Seaboard Farms	213,600
4	Iowa Select Farms	150,000
5	Christensen Farms	148,800
6	Pestage Farms	140,000
7	The Maschhoffs	115,000
8	The Pipestone System	110,000
9	Cargill	94,000
10	Goldsboro Hog Farm	76,000

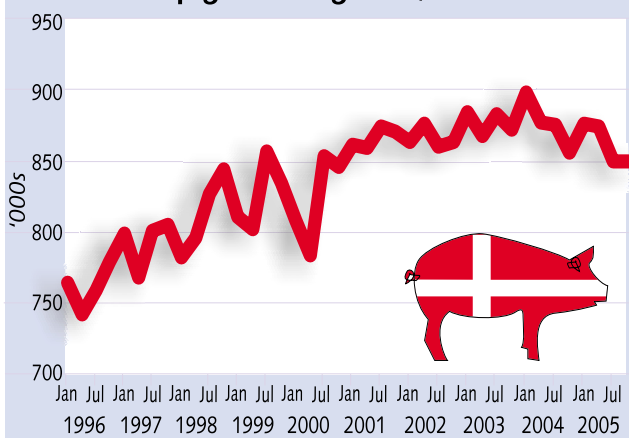
Source: Successful Farming

IN 1997, the top 10 US pig producers had 19% of the total sow population. Today, that same top 10 have 35% of the sows. That is an extraor-

inary consolidation of production.

One in three sows in the US are now owned by the top 10 producers.

The Danish pig breeding herd, 1996 to 2005



The sheer scale of the US situation is set out on the accompanying Table headed "US top 10 pig producers by sow herd". In the number one spot in that List is Smithfield Foods at 798,000 sows.

When we Irish think of pigs we correctly think of Denmark. The most recent Danish Pig Census reported 850,000 sows. A figure just marginally ahead of one US producer,

Smithfield Foods. Over the last year, Denmark sow numbers are down by almost 3%.

However, the Danes have over five times more sows than the Irish figure which hovers around 150,000. Indeed, one of the US top 10, Iowa Select Farms, have the same number sows as Ireland. If all of this is not sufficiently alarming think Brazilian pig prices — they are now under 90c per kg.

Galtee pigmeat audit

RESULTS are awaited on the Galtee Audit. The background to this Audit procedure is interesting.

At the closure of the Galtee pig slaughtering facility there was agreement between Dairygold and IFA on an Audit procedure. The purpose of the Audit was to establish the volume of Irish pigmeat used in the Dairygold retail business over the next three years. Did Irish pig producers lose out?

As I understand, the first hurdle in the Audit procedure has been successfully cleared. That hurdle was for auditors KPMG to establish a benchmark. This benchmark would identify the tonnes of Irish pigmeat used before the Galtee closure. This benchmark is now in place.

This is a benchmark on which the Audit results will be reported — obviously on a benchmark plus or minus basis.

This is fair enough because of the sensitivity of such data in the world of competition.

The period covered by the Audit is as follows:

- 1 September 2004 — 31 August 2005.
- 1 September 2005 — 31 August 2006.
- 1 September 2006 — 31 August 2007.

It is now mid November — over two months from the Audit completion date of 31 August 2005. To date, the Audit results have not been published. Why the delay?