

# 14% pig sector gain

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Irish Farmers Journal



A 14% gain is important in any business. This is what has happened in a sector of the pig trade in recent months. This has been the result of an extraordinary pig price phenomena. Cull sow prices increased dramatically. Compared to earlier this year prices are up by 30-40%.

However cull sow returns are only a small but still a significant part of the pig price return. This is of course correct.

But what's the story behind the sow price increase? I suggest it's a story of high significance.

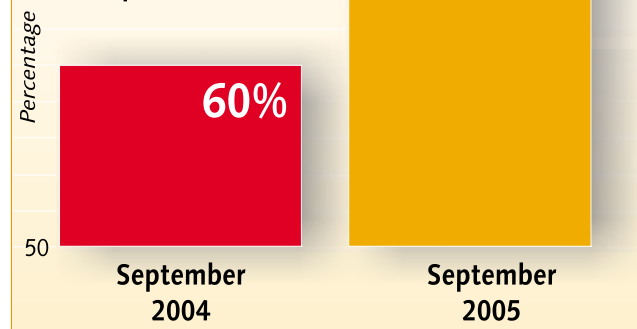
The sow price increase coincided with the entry of a new sow purchaser in the market.

This meant increased competition. That purchaser was the North/South Pig Company. A group made up of the owners of 80,000 sows. This represents 50% of the sows in the Republic with production capacity of 1.6million pigs annually.

This proves the importance of having a farmer owned and controlled group competing successfully in the market place - backed by professional management. It can deliver higher prices to its owners.

This group identified a German market for culled sows. They then purchased sows from their members. Those sows were contract slaughtered and dressed in an efficient Irish plant.

The percentage of German cull sows price received by Irish suppliers, September 2004 vs September 2005



cient Irish plant.

The carcasses were then exported to their German customers. A high specification and quality was guaranteed to the purchaser.

The North/South Pig Company has successfully delivered on this specification. They are now handling 700 sows per week with numbers increasing weekly.

## Survey results

MY pig price contacts have completed a Survey. The purpose of the Survey was to compare

1. The percentage of the German price in September 2004 with the price received by Irish suppliers in September 2004.
2. And what was the German percentage received in September 2005 by Irish suppliers when the North/South Pig Company entered the market.

Results are as follows for 2004:

- German cull sow price Sept 2004 €1.41 kg/dw.
- Irish cull sow price €0.84 kg/dw, again in September 2004.
- Percentage of German price received by Irish suppliers was 60%.

The September 2005 result was as follows:

- German cull sow price September 2005 €1.29 kg/dw.
- Irish cull sow price September 2005 €0.95 kg/dw.
- Percentage of German price received by Irish suppliers was 74% (see chart left).

**RESULT - A net gain of 14% for Irish producers September 2005 v September 2004. A highly significant gain resulting from a change in trading pattern. This is only a test run which shows that this market concept works to effect.**

## September league - €21,000 gap

DAWN impressively continues to top the Pig League. They are paying €1.31. This is an increase of 1c on their August price. They are now clearly the pace setters in the League.

They are 4c ahead of Glanbia Roscrea; that is the equivalent of €2.80 per pig. On a per sow per annum this is equivalent to €62 per sow.

For the average 350 sow operator this adds up to over €21,000 over a twelve month period if the gap between Dawn and Glanbia remains.

Let's see Roscrea match Dawn in October. Farmers are still the majority stakeholders in Glanbia plc. Not many plcs can proudly boast of a pig farmer/dairy farmer

as Chairman, which is the case in Glanbia plc.

The September weighted average is €1.28. This is 2c ahead of the August figure. Despite this weighted average increase the gap between the EU average price for the week ending the 24th September 2005 and the September League price is €9.54 per pig.

## MISSING - €14 per pig

A few simple figures show the kind of prices that are worth chasing in the pig price game. Again we take Germany as an example.

The Bord Bia Monitor reports that the German price for the week ending 24th September 2005 is 148.59c per kg.

The Pig League weighted average price for September is 128c kg (the League figures are based on actual factory returns to farmers).

This leaves a gap of 20c/kg between Irish and

German prices. That is the equivalent of €14 per pig.

It means that Irish producers are only achieving 86% of the German price. This 20c difference could represent 80 or 90% of the Irish net profit margin if it was available to Irish producers. This is the real price that the North/South Pig Company must focus on. It can be done. They have shown with the test run that they have a model which works.

## Sept 2005 Pigmeat Price League

Factory	Sept 05 per kg/dw	Aug 05 per kg/dw	Jan 98 per kg/dw	Sept Price 05 expressed as % of Jan 98	Est Share of National Kill in each factory
<b>DIVISION NO. 1 OVER €1.30</b>					
Dawn	1.31	1.30	1.17	112%	16%
<b>DIVISION NO. 2 €1.28 TO €1.30</b>					
McCarren	1.28	1.25	-	-	8%
Edenderry	1.28	1.25	1.13	113%	15%
<b>DIVISION NO. 3 UNDER €1.28</b>					
Roscrea	1.27	1.24	1.13	112%	30%
<b>Weighted Avg Price</b>	<b>1.28</b>	<b>1.26</b>			
<b>NORTHERN PRICES</b>					
Cullybackey	1.38	1.33			
Cookstown	1.34	1.32			
Grants	1.34	1.32			
<b>PORK</b>					
Coyle	1.31	1.29			
Salter	1.30	1.28			
Corbally	1.30	1.28			

