

Wiping out €1m farm investment

By Joe Rea
Irish Farmers Journal

COULD this be possible – €1m wiped out of farm investment on just one family farm. Yes it is possible. All due to the Roche regulations on the environment. That is the consequence of these regulations on the farm of JJ Sullivan, Cloughrea in North Co Meath.

"It is so stupid. It is not sustainable." That is JJ Sullivan's summing up of the N & P regulations. These regulations will decimate stock numbers on this well run farm. As JJ sees it, "it will wipe out €1m of on farm investment here in Cloughrea. It will cut income by 50%."

The situation for the Sullivans demonstrates the reality of the Roche regulations on a family farm. One can look at the graphs, the tables, the indexes regarding N & P. They are very daunting. They look difficult to achieve. However, the real horror is when they are applied at farm level.

JJ Sullivan has applied the regulations as set out by a professional adviser. This farm consists of 200 owned acres plus 75 acres rented 25 miles away.

Set out are the conse-

quences of the regulations in practice at family farm level.

Current situation

- 290 sows to fattening.
- 160 suckler cows half of progeny sold as yearlings – the remainder fattened.
- This farm has been intensively farmed for some years.

Consequences

- Eliminate pig enterprise.
- Reduce cattle by 30%.
- Close down a €1m worth of investment.
- Income effect -50%.

Possibilities

- Transport slurry but where to in North Meath?
- Try finding a non REPS farm to take slurry – difficult to identify.
- Go long distances to grain growing areas in Co Louth.
- Generally they do not want to complicate their existing tillage systems.
- Transporting slurry is going to cost a lot of money.

Indeed one Louth grain grower told me that the pig boys should send out the slurry on the boats that brought in imported grain. Not a very encouraging approach of dealing with this problem.



January 2006 pigmeat price league table

Factory	Jan 05 per kg DW	Dec 05 per kg DW	Jan 98 per kg DW	Jan 05 price as % of Jan.98	Est. share of Nat. kill in each factory
Division No. 1 €1.28 and over					
Dawn	1.28	1.31	1.17	109%	16%
Division No.2 under €1.28					
Edenderry	1.25	1.27	1.13	111%	15%
Roscrea	1.25	1.26	1.13	111%	30%
McCarren	1.24	1.25	-	-	8%
Weighted Av.	.126	1.27			
Northern Prices					
Cookstown	1.31	1.31			
Grants	1.31	1.31			
Cullybacky	1.28	1.27			
Pork Prices					
Salter	1.31	1.30			
Coyle	1.30	1.30			
Corbally	1.29	1.28			

Pigs at €1.53

HAD Irish pig prices kept pace with inflation since 1998 then today's price would be €1.53 per kg. This is a simple sum. Take the Dawn baseline price of €1.17 for January 1998. Since that date to January 2006 as per the CSO the inflation rate was 31% in that period. When the Dawn 1998 price is adjusted for inflation then today's return should be €1.53/kg.

The consequence of such an increase is enormous for a family unit of say a 400 sow fattening unit. On a year's production this would add an extra €154,000 profit.

This is far from today's reality. Prices for January have fallen. The January weighted average is €1.26 compared to €1.27 for December. This is not as bad as expected. The official line was that prices were cut by

four cent in January. However, in many cases this did not transfer into a four cent cut. What happened was that free transport was made available in cases to soften the cut.

Note the Pig League prices are not about quoted prices but are based on a net take home price.

In the overall league, Dawn continues to set the pace. They are paying three cent ahead of Glanbia. An interesting side light on the Glanbia price is that they are paying a pig league price of €1.29 for Northern pigs coming south. That is an extra €2.80 compared to their Roscrea and Edenderry price. As anticipated, the gap between the Irish and the EU average increased for January to €7.13 per pig.

Pigs in the economy

WHY get excited about pigs? After all, there only 600 serious pig producers. That is not the full story. The pig sector is a key player in the agri scene.

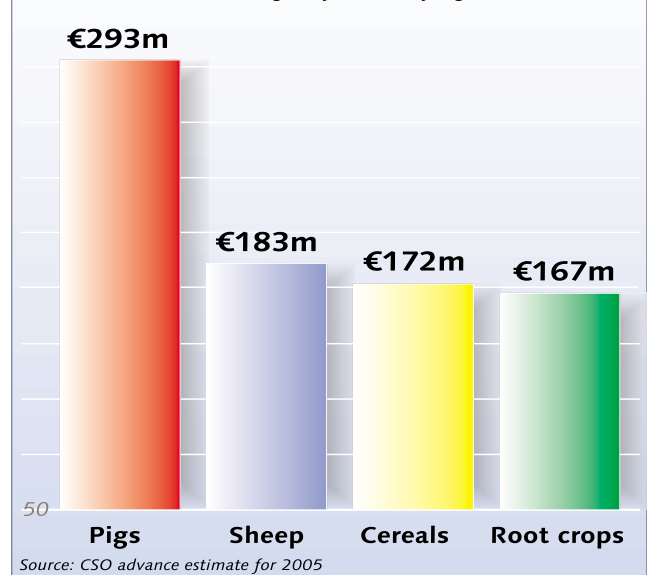
In output terms it ranks third after dairying and beef. It is ahead of cereals, sheep, poultry, fruit and vegetables and sugar beet RIP (see graph).

Indeed its third placing underscores its importance. It consumes 30% of all the grain produced in Ireland. Total employment with the

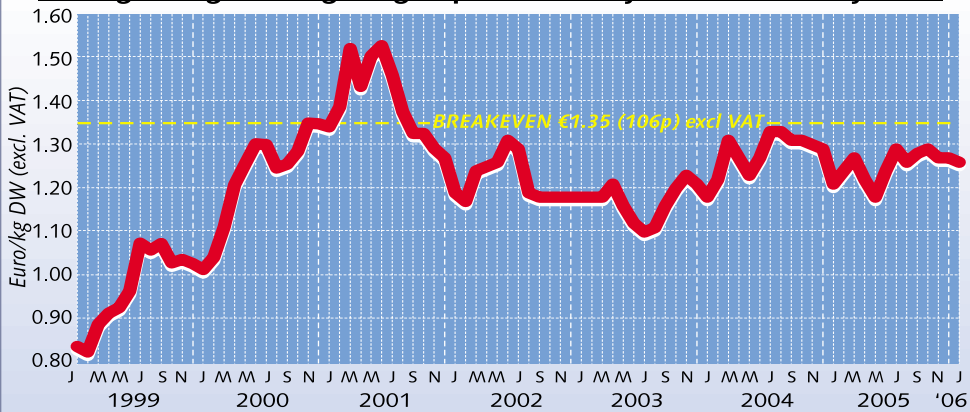
spin-off effect amounts to 10,000. Who would bring in a regulation that would close down the equivalent of 10 US electronic plants in Ireland.

Let's put the pig sector in the context of another indigenous Irish industry. It matches in output manufacturing wood and wood product sector. This sector also employs almost 10,000. Who would propose a regulation to close down this industry? Nobody is that wooden.

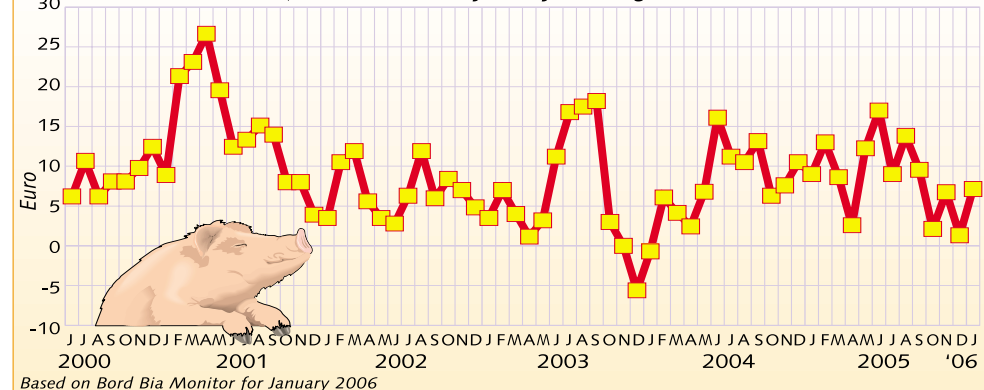
2005 output, estimated value (excluding beef and dairying)



Average weighted Pig League price, January 1999 to January 2006



Irish pig price gap compared to EU average June 2000 to January 2006 for a 70 kg carcase



Based on Bord Bia Monitor for January 2006