

# Major breakthrough in Irish pig sector

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IRISH FARMERS JOURNAL

THE North South Pig Company in a letter last week to all their shareholders announced that the Company has reached agreement with Cranswick plc to assess the potential of a

joint venture company involved in the processing of pigs and the development of added value pork products.

The letter then goes on to state "it is envisaged that the new company would be owned jointly by North South Pig Company and Cranswick. In addition to assessing the po-

tential added value opportunities in Ireland for Irish pigs the new company would also look into the developments which Cranswick would pursue in the UK for British pigs (NI) and Irish welfare pigs".

This is very exciting news which will have a major impact on the Irish pig industry

in the total island.

In this new situation where does Glanbia, Dawn and Grampion in the North, fit into the picture? It presents a challenge and an opportunity for all concerned.

Will we see NS and Cranswick operate on a green field site? As I have been reporting

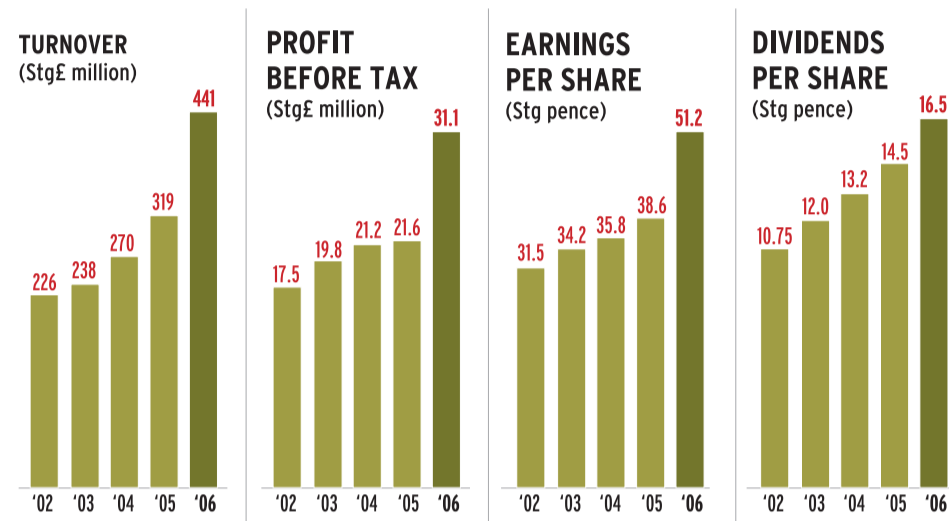
on the pig page for the last year NS Pig Company has had a resounding success with their cull sow operation.

Against this successful background it was obvious that the next logical NS project would be to enter the pig slaughter and processing sector proper. The Cranswick

joint venture, which I understand has reached an advanced stage, would give them a new dimension in the business.

The great strength of NS is that its shareholders are the owners of a significant percentage of the total pigs produced on the island.

## Cranswick who?



WHO are Cranswick plc? They are a highly successful expanding UK company. Their emphasis is on the added value and premium pork product sector going directly to the retail business.

Their financial data for 2006 is highly impressive.

- Turnover up 38% to £441 million or €668 million
  - Profit before tax up 44% to £31.1 million - €47 million
  - Increase of 33% earnings per share
  - Dividend up 14%
- See accompanying graphs.

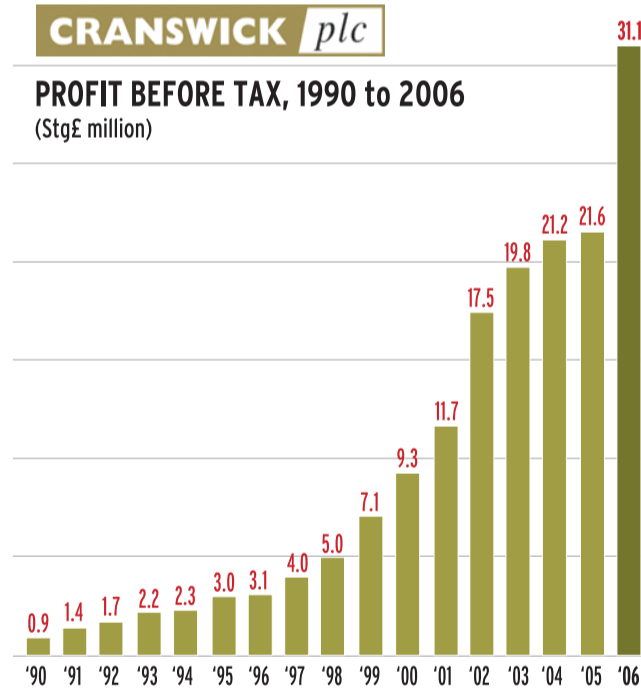
### CRANSWICK'S ORIGINS

Cranswick was formed by farmers in the 1970s to produce pig feed. In 1988 the Board embarked on a strategy to broaden the base of the company's activities and to seek opportunities to develop with emphasis on added value.

The business has evolved by way of acquisition and subsequent organic growth into the focus predominantly on the supply of a range of fresh processed food products to the UK Food Retail Sector.

### CRANSWICK plc

#### PROFIT BEFORE TAX, 1990 to 2006 (Stg£ million)



How well that strategy has worked can be gauged from the accompanying graphs headed "Profit Before Tax 1990 - 2006".

It shows profits going from under £1 Million in 1990 to over £31 million in 2006.

Indeed their performance over the past ten years emphasises a culture of growth enterprise and success. The Cranswick compound annual growth rates to 2006 are as follows:

- Turnover 12% per annum

- Profit before tax 25.9% per annum
- Earning per share 20.7% per annum
- Dividends per share 13.6% per annum

#### OBJECTIVE

In the company's review of activities 2006 the Chief Executive Bernard Hoggarth sums up the situation as follows:

"The food activities turned in a robust performance with the strong sales growth seen in recent years being maintained this year. Turnover rose from £286.6 million to £409.1 Million, representing almost 93% of total Company sales and reflects both acquisitive and organic growth. Further opportunities for sales growth are being pursued in most of the categories in which we operate. The focus for sales is the premium categories with the vast majority of our products going to the retail sector, although foodservice is of growing importance."

#### JANUARY 2007 PIG MEAT LEAGUE TABLE

Factory	Jan 07 kg DW	Dec 06 kg DW	Jan 98 kg DW	Jan 07 price as %	Est share of National kill in each factory
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#### Division No. 1 = €1.34 and over

Edenderry	1.35	1.39	1.13	119%	15%
Roscrea	1.34	1.38	1.13	118%	30%

#### Division No. 2 = under €1.34

McCarron	1.33	1.39	-	-	8%
Dawn	1.30	1.37	1.17	111%	16%
Weighted Avg	1.33	1.38			

#### Northern Prices

Cookstown	1.39	1.41			
Cullybackey	1.39	1.40			
Grants	1.38	1.41			

#### Pork Prices

Coyle	1.37	1.43			
Salter	1.37	1.43			
Corbally	1.36	1.42			
Duffy	1.35				

• All prices are quoted excluding VAT

## Ireland again beats EU average

THE January league weighted average records a reduction of 5c/kg compared to December. This brings the figure down to €1.33. However this still leaves Irish prices ahead of the EU average for January by €3 per pig. A praiseworthy performance.

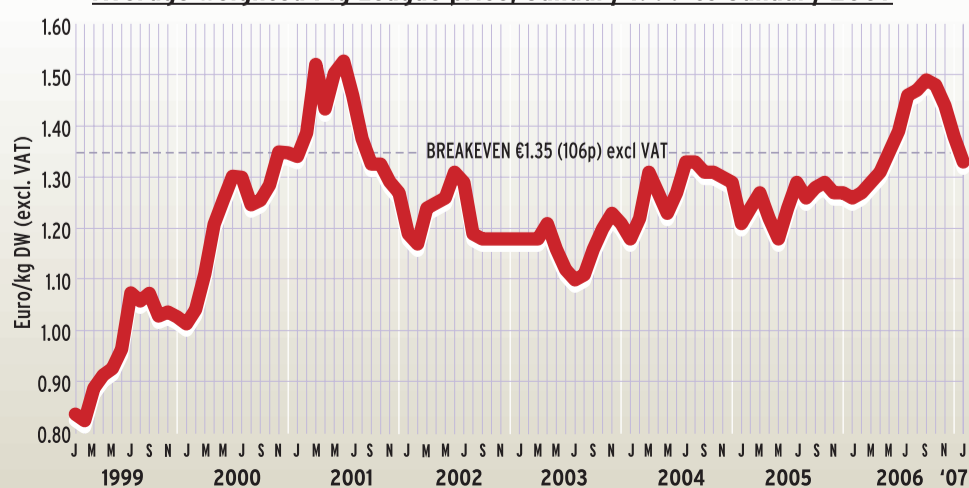
The indication now from EU States is that for February prices are increasing. For February so far Irish prices are holding. Indeed it appears that if they are to

maintain their position over the EU average then Irish prices are required to increase.

Northern prices in the league continue their trend of being well ahead of the South. However in private deals there is even a wider gap.

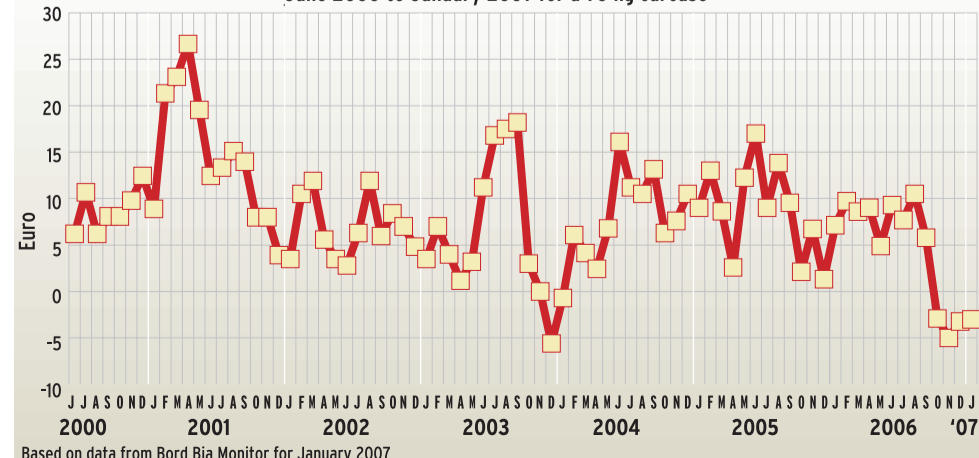
Cookstown are currently paying €1.44 kg excluding VAT to some selected southern suppliers who are guaranteeing continuity of delivery.

#### Average weighted Pig League price, January 1999 to January 2007



#### Irish pig price gap compared to EU average

June 2000 to January 2007 for a 70 kg carcass



Based on data from Bord Bia Monitor for January 2007