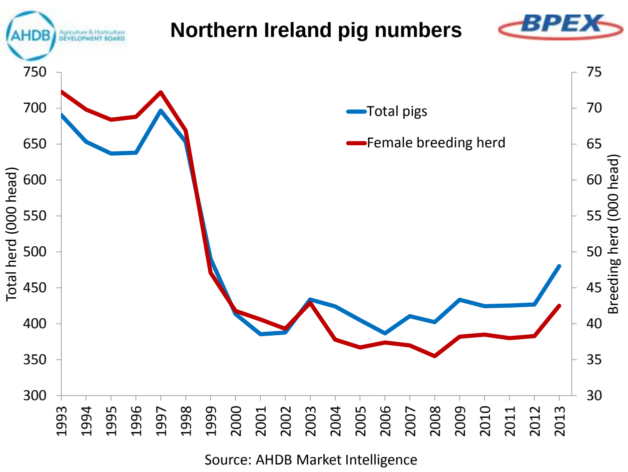
Northern Ireland Pig industry Overview

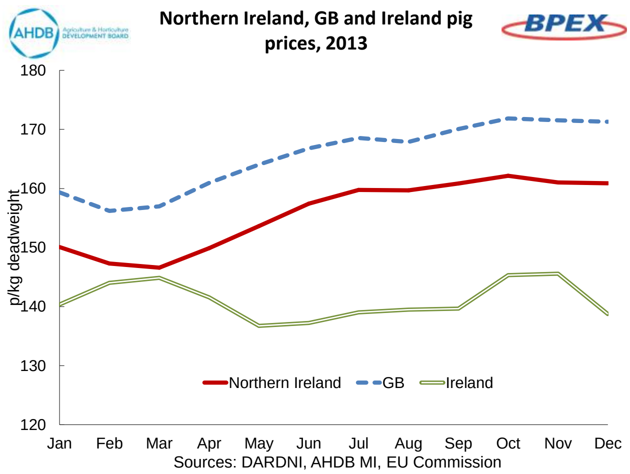
While the Northern Ireland pig industry is not a key player in the global pig trade, the region has become increasingly important for Ireland and Great Britain, given its close proximity. The Northern Ireland pig industry is fairly compact, accounting for around a tenth of the UK pig herd and 16% of pig meat production. As the country has only around 3% of the UK's human population, this means it produces a surplus of pig meat.

The total number of pigs on farm in June 2013 reached 480,300 head, the largest pig herd since 1999, although the increase was partly due to a change in methodology. This may indicate the start of a recovery from the recession in the pig market, which started in June 1998 when a fire in Northern Ireland's largest processing plant left large surpluses of pigs on farm. The oversupply in the industry led producers to put down pigs and dispose of carcases, leading to huge losses and a sharp decline in the breeding herd size.



As in the rest of the UK, there has been increasing consolidation of pig farms over the years. The pig industry mainly consists of large scale operations, with almost three quarters of sows on 55 Northern Irish farms, with high concentrations in the counties of Fermanagh, Tyrone, Armagh and Down, allowing easier cross-border trade.

According to the figures estimated by AHDB/BPEX, UK per capita pig meat consumption in 2013 stood at 24.1kg. Assuming levels are similar in Northern Ireland, it would consume only around a third of its domestic production. The remaining two thirds of pig meat is exported, mainly to Great Britain. Given a typical farmgate price differential of around 7-10p/kg, exporting farm assured (Red Tractor) pig meat makes this an optimal position for Northern Ireland. This means producers do not have to directly compete with their neighbours, Ireland, where pig prices are even further below GB (by around 25-30p/kg recently). However this attracts cheap imports from Ireland. In fact, lower priced Irish supplies are typically consumed in the Northern Irish market.



It is no surprise that Northern Ireland imports pigs from south of the border. In 2013, Northern Ireland slaughtered 1.6 million pigs, of which 571,200 pig were imported, according to DARDNI. However, Irish trade statistics show only 339,200 pigs crossing the border. Political issues may explain part of the difference (since many in Ireland wouldn't regard moving pigs to the North as 'exporting'). It is also worth noting that Northern Ireland imports some weaners from Ireland for finishing, which does not require a license and therefore may not be included in the Irish exports statistics. In addition, there is potentially an economic gain for Northern Ireland producers from unrecorded movement of pigs, which may contribute to inaccuracy of statistics on the cross-border pig trade.

As in the UK, the Northern Ireland pig industry faces several feed and price related challenges. Northern Ireland grows minimal quantities of cereals, which are typically poor quality and mainly used in ruminant feed. Consequently, it is dependent on feed imports, so producers are fully exposed to the global market price, along with transportation costs. As such, feed costs account for as much as 75% to 80% of Northern Ireland pig production costs. In addition, there are only two main abattoirs in Northern Ireland, limiting competition and exposing producers to further risks should these plants come under threat. There was certainly growing tension when Vion announced it was to cease all UK operations 18 months ago, which could have left producers in the same position as in 1998 until the management buyout (as Karro) was agreed.

Looking forward, with the latest census showing signs of recovery, a general improvement in farm performance and relatively lower feed costs of late, Northern Ireland pig producers are in a good position to edge towards expansion. Nonetheless, the extent to which producers are able to do so is largely dependent on demand from Great Britain. Health status could also have an influence on expansion plans in an area with such a high concentration of livestock.