Key Industries: Hog Farming [1]

Hog farming represents an integral part of the broader industry that entails the rearing, butchering, processing, and selling of hogs, known as the pork production industry. Pork production consists of six separate stages: research and development, hog farming, meat processing, finishing and packaging, product distribution, and retail. For North Carolina, hog farming itself is the most important of these value chain links. North Carolina firms participate in all stages of raising hogs. Astoundingly, hog farming in North Carolina is valued at well more than US $1 billion. Although pigs have been an historical part of the state's agriculture, it is in the 1990s that the sector has experienced exponential growth. Within a decade, the hog population jumped, from around 2.6 million in 1988 to over 8 million in 1997.

One of the most interesting features to note is that the increase in the total population of hogs was accompanied by a concomitant decline in the total number of hog farms. In 1986, there were 15,000 farms with at least one head of hogs in the state. By the year 2006, there were only 2,300 such farms remaining. In this section we highlight facets of these trends -- the consolidation of farms with the increase in the number hogs -- along with several social, political, and environmental concerns the industry faces.

Hog farming in North Carolina

As of the most recent Agricultural Census, in 2002, North Carolina ranks as the second-largest hog farming state in the country, after Iowa. Other leading hog farming states are Minnesota and Illinois. Almost sixty percent of the U.S. hog inventory is concentrated in these four states. The majority of the hog industry in the state is located in the southeastern region of North Carolina, particularly in the counties of Duplin, Sampson, Bladen, and Robeson. The timeline below highlights the growth and changes within the industry since 1980, and the political and social steps government, labor and non-profit groups have implemented to affect change in the governance and regulation of the industry.

Timeline of hog farming in North Carolina

1980

North Carolina hog farms range between 10,000 and 25,000 hogs in size.

1985

North Carolina ranks 7th nationally in hog production.

1991

North Carolina Senator Wendell Murphy co-sponsors legislation that exempts large-scale hog farms from local zoning regulations.

1992

Smithfield Foods, Inc. opens the world's largest meat processing plant in Bladen County, North Carolina.

1995

North Carolina Senate passes Bill 1080, the Swine Farm Siting Act, requiring new swine houses or lagoons to be located at least 1,500 feet from an occupied residence, at least 2,500 feet from any school, hospital, or church and at least 100 feet from any property boundary.

1995 (June 21)

The lagoon at Ocean View Farms in Onslow County, North Carolina overflows dumping over 20 million gallons of hog waste into the New River causing massive kills and spurs environmental debate.

1996

President Clinton signs the Freedom to Farm Act in an attempt to cut federal-farming subsidies.

1997

The Clean Water Responsibility Act6, part of Bill 515, places a moratorium on the construction of farms with more than 250 hogs or the expansion of existing large farms in the state of North Carolina.

1998

North Carolina's hog population rises to 10 million from 2 million in 1992.

1999

Hurricane Floyd hits North Carolina, flooding hog waste lagoons and contaminating the water supply.

1999

Renewed moratorium on "lagoon-farms"; there are no limits on farms using environmentally superior technologies.

2000

The Smithfield Agreement

Smithfield Foods and Premium Standard Farms (PSF) entered into an agreement with the Attorney General of North Carolina to fund environmentally superior technologies (ESTs) for hog waste management. Researchers at North Carolina State University are charged with the technology determinations.

2002

Frontline Farmers joins the Smithfield Agreement.

2003

North Carolina Governor Mike Easley successfully calls for a four-year extension of the moratorium on the construction of hog farms in eastern North Carolina.

2005

Environmental Defense and Frontline Farmers draft a plan, which calls for elimination of lagoons in North Carolina. The plan would gain sponsorship by Representative Carolyn Justice and becomes Bill 1532, the Clean Hog Farms Act of 2005.

2006

The Clean Hog Farms Act of 2005 is altered, becoming Bill 1730 the Clean Hog Farms Act of 2005-2, creating a cost-share program for farmers who volunteer to place ESTs on their farms. Despite this change, the bill does not make it through the General Assembly of North Carolina.

2006

The Smithfield Agreement concludes. Researchers determine that none of ESTs evaluated are economically feasible for existing farms. Five, though, would be economically feasible for new farms.

2006

North Carolina State University is awarded a $75,000 grant intended to spur the development of byproducts from two of the leading ESTs. The project will generate value-aped products from hog waste and evaluate the economic potential of the products to generate new income for farmers.

2006

Smithfield Foods and Premium Standard Farms agree to $810 million merger.

2006 (November)

A two day walk-out by workers at Smithfield Foods' Tar Heel, North Carolina plant was met with the company meeting with a group of elected workers to negotiate a settlement to halt the wholesale firing of immigrant workers.

2006 (December 2)

More than 600 protestors from various labor unions, religious organizations, and activist groups boycotted Smithfield Foods products at 11 North Carolina Harris Teeters, a North Carolina based company. The protest, entitled North Carolina Statewide Day of Action, was to show support for the workers at Smithfield's Tar Heel, North Carolina plant.

Trends and dynamics in hog farming

As noted above, the face of the hog farming industry has changed dramatically in recent years, and has grown dramatically North Carolina. Part of this growth is due to the economics of the industry, part to the traditional role of hogs in the North Carolina economy, and part due to the decline of other agricultural industries. Many farmers who had formerly tended other crops, including tobacco, turned to hog farming in the last decade.

The structure and organization of the industry have also changed in recent years, trending towards fewer, larger farms. A number of dynamics in the industry have led to this change. One has been the corporate strategies of North Carolina's major players, including Smithfield. Smithfield Inc., the world's largest hog producer, constructed the world's largest meat processing plant in 1992, in Bladen County, NC. This plant employs thousands of North Carolina residents and processes over 8 million hogs a year. Large corporations turned to mega-farms that standardized buildings, equipment, and hog management with the objective of minimizing operating costs. Tyson has many of its meat processing plants in North Carolina.

Hog farming lagoons and environmental concerns

Another key trend -- and a contributing factor to the number and size of North Carolina's hog farms -- deals with the environmental management of the industry. Originally, waste from hog farming was allowed to be stored in lakes, called lagoons; material from the lagoons was then sprayed onto fields that contained crops. This created an economically feasible development for farmers, allowing them to raise hogs and grow crops on the same farm. Lenient environmental regulations and local zoning exemptions provided large-scale hog farms the opportunity to construct several mega farms throughout eastern North Carolina.

This last aspect is a controversial aspect of the pork production process in North Carolina, and led environmental and social advocacy groups to lobby for change. Specifically, as a result of environmental concerns regarding hog waste, the North Carolina state government passed a bill in 1997 that placed a moratorium on construction of any new farms with over 250 hogs. This has severely curbed the growth of the hog farming industry in the state. The renewal of the moratorium in 2003 ensures that slow growth will continue for at least four more years.
The moratorium was put in place to allow for the research, development, and implementation of environmentally safe technologies (ESTs). Because of this moratorium, North Carolina has been a leader in hog waste management in the country, and may one day serve as the model for other states. The moratorium only limits new lagoon farms and does not apply for those using ESTs. In response to such environmental concerns, Smithfield Foods and Premium Standards Farms (PSF) signed an agreement with the Attorney General of North Carolina to give money to North Carolina State University to invest in "superior waste technologies."

National competition

As witnessed through the decline in firms in North Carolina, nationally over the last two decades, the hog farming industry has seen a tremendous shift towards consolidation. In 1985, the top four pork-producing companies in the United States accounted for 32 percent of the market. In 2006, industry consolidation had resulted in the top four pork-producing companies controlling 63 percent of the market.

Company	Share of national market (2006)
Smithfield	25%
Tyson	18%
Swift	11%
Cargill/Excel	9%
Hormel	7%
Premium Standard Farms (PSF)	6%

Leading the way in the hog farming industry are vast corporations that utilize vertical integration to maintain quality and oversee all aspects in production. The leading pork packing companies own thousands of sows themselves, have contracts with other hog farmers to raise even more sows, and have direct contracts with most of the other hog packers. As a result of the consolidation within the hog farming industry, six major vertically integrated pork-producing companies have emerged as industry leaders. The competition North Carolina firms have is mostly with the three other states that concentrate on hog farming albeit all of the top producing firms have farms in multiple states. For example, Smithfield has locations in 28 states. North Carolina may be able to distinguish itself from these other states by developing advanced environmental technology to apress waste management and environmental degradation.

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