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# The global and European meat industry towards 2020

Which companies will survive?

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Food & Agribusiness Research and Advisory

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- Section 1 A fast changing global market
- Section 2 A consolidating global meat industry
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- Section 4 Outlook for the European industry
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# Rabobank: A leading Food & Agribank



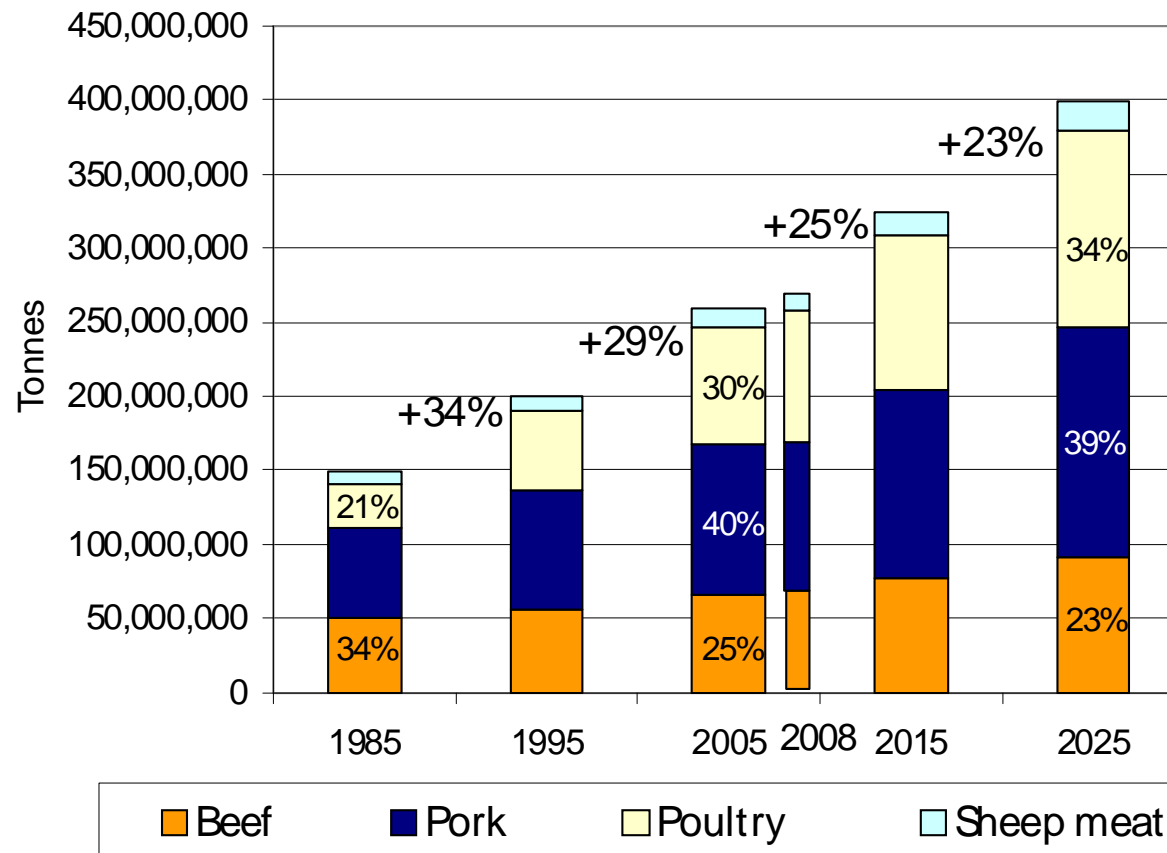
● Presence in 41 countries



# How to benefit from 50 percent growth in 20 years?

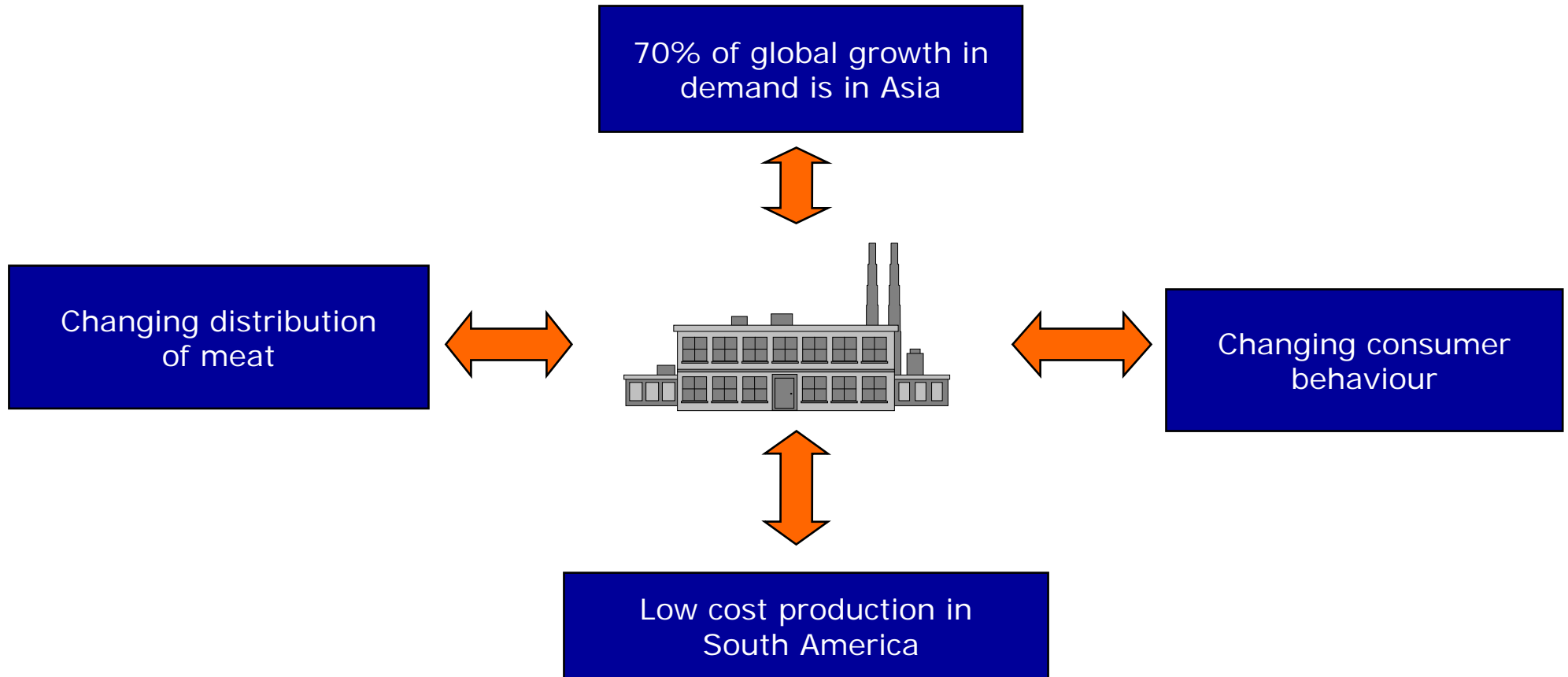


## Global meat demand



Source: Rabobank based on FAPRI, FAO, USDA, EC, OECD

# Great challenges for global meat industry

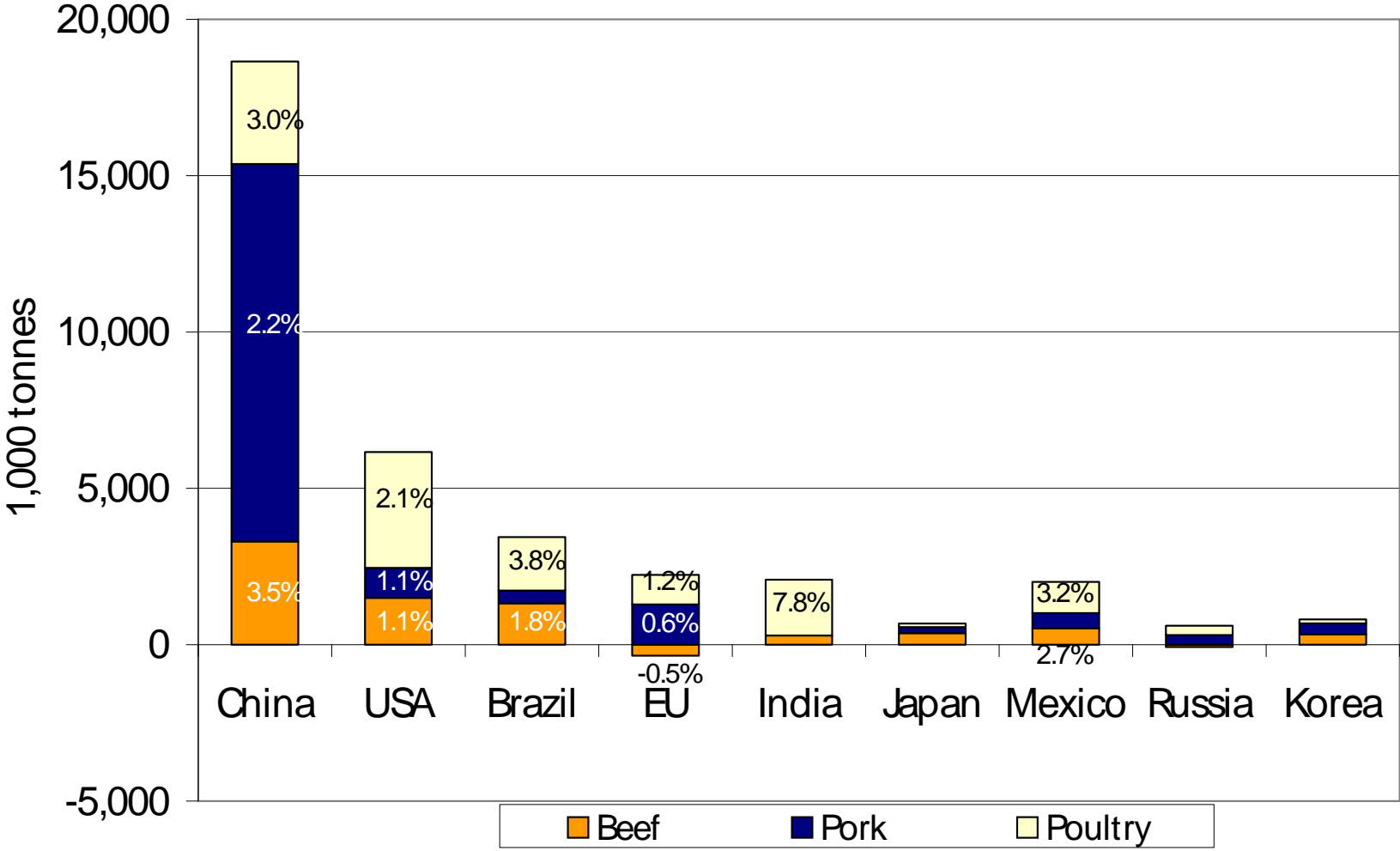




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# 70% of global growth will be in Asia

Market growth estimate for key meat markets 2005-2015

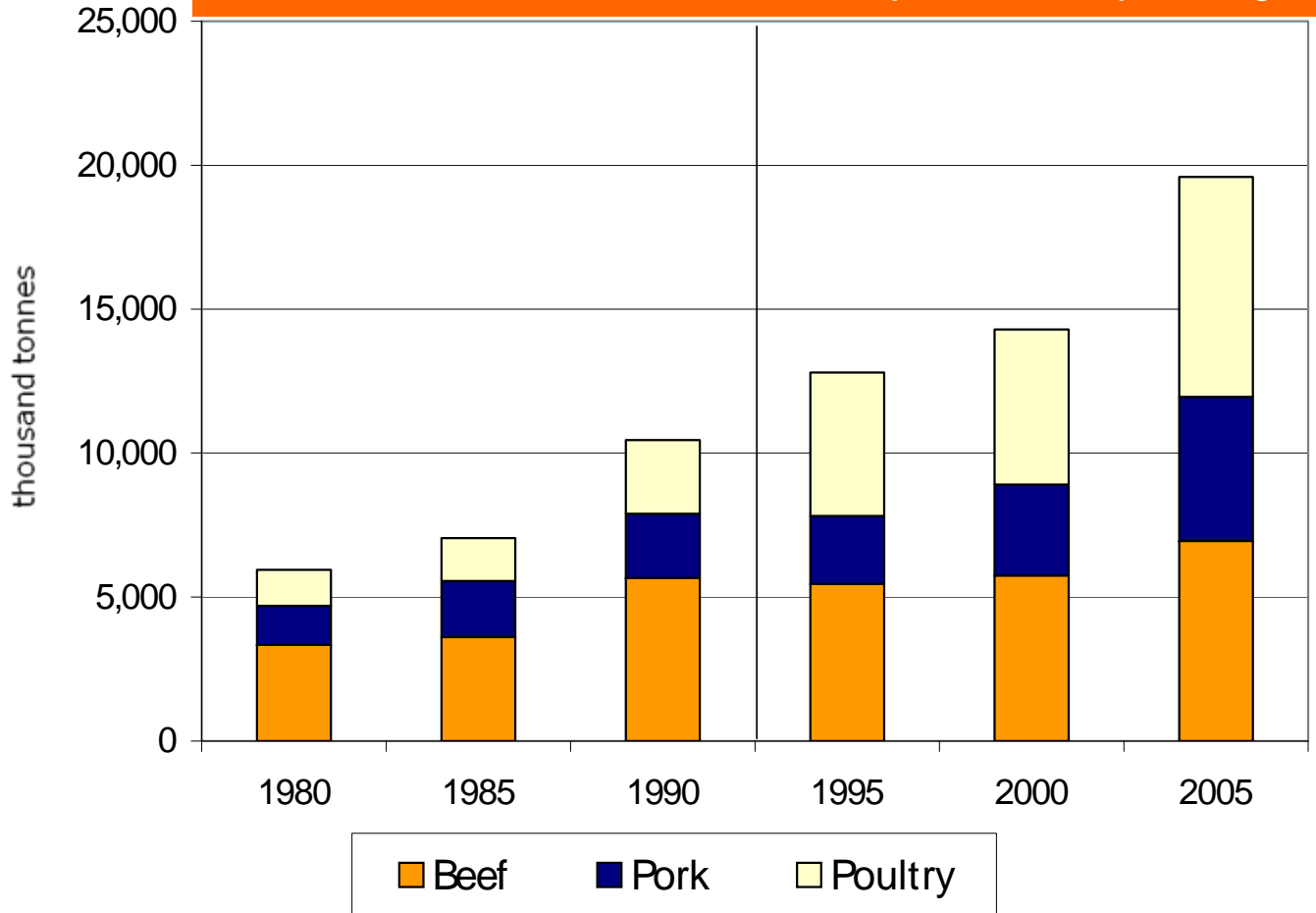


Drivers for growth:  
- Population growth  
- Income growth  
- Marketing  
- Cultural restrictions

Source: Rabobank, FAO, FAPRI, OECD

# Growing importance of global trade

International trade in beef, pork and poultry



**Beef:**  
 7 million tonnes  
 (+3.6 million tonnes);  
 14% of global production

**Pork:**  
 5.2 million tonnes  
 (+3.6 million tonnes);  
 5% of global production

**Poultry:**  
 7.7 million tonnes  
 (+6.4 million tonnes);  
 14% of global production

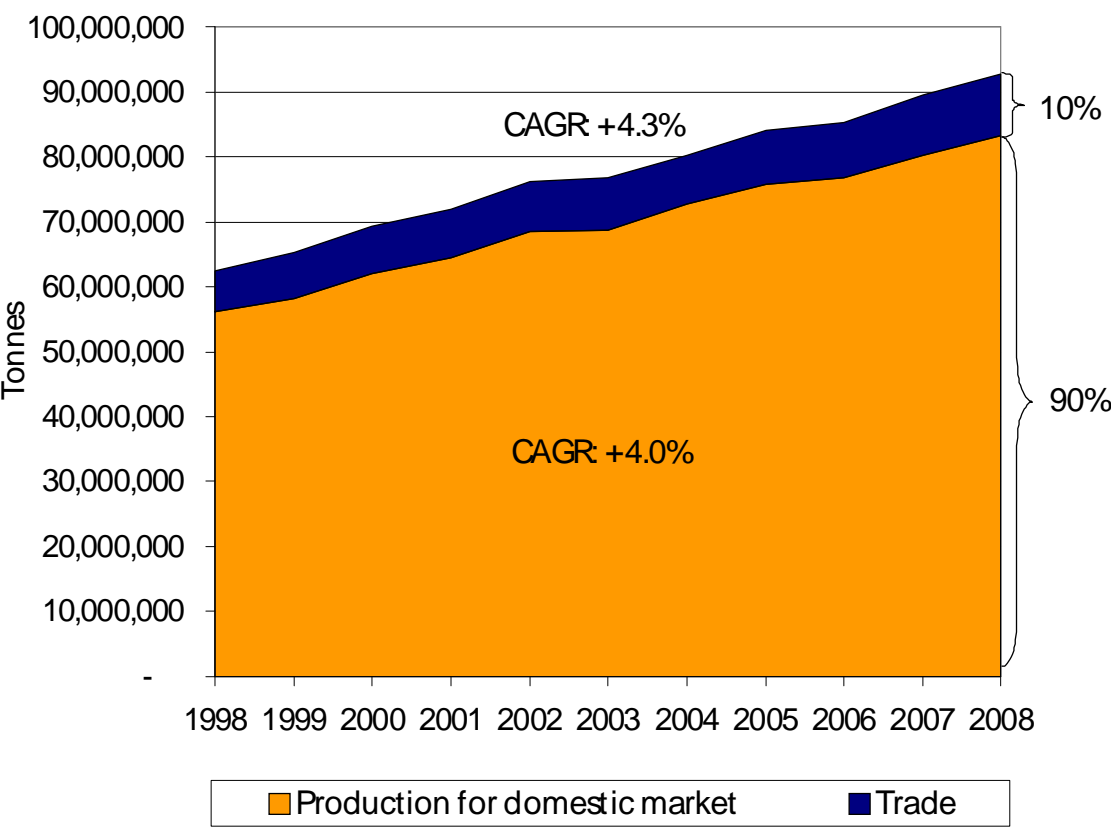
Source: USDA



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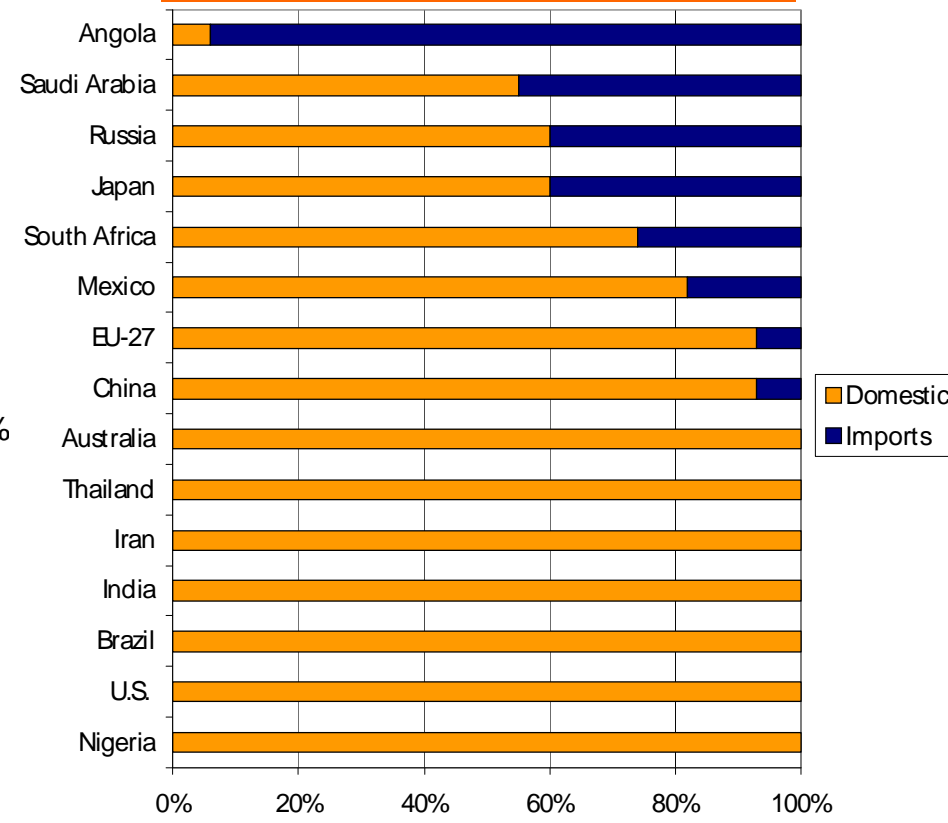
# 90% of global demand will be produced locally; only 10% is traded internationally

## Trade vs. Local production



Source: Rabobank, FAO, USDA

## Self sufficiency rates





# Volatility is impacting competitive landscape



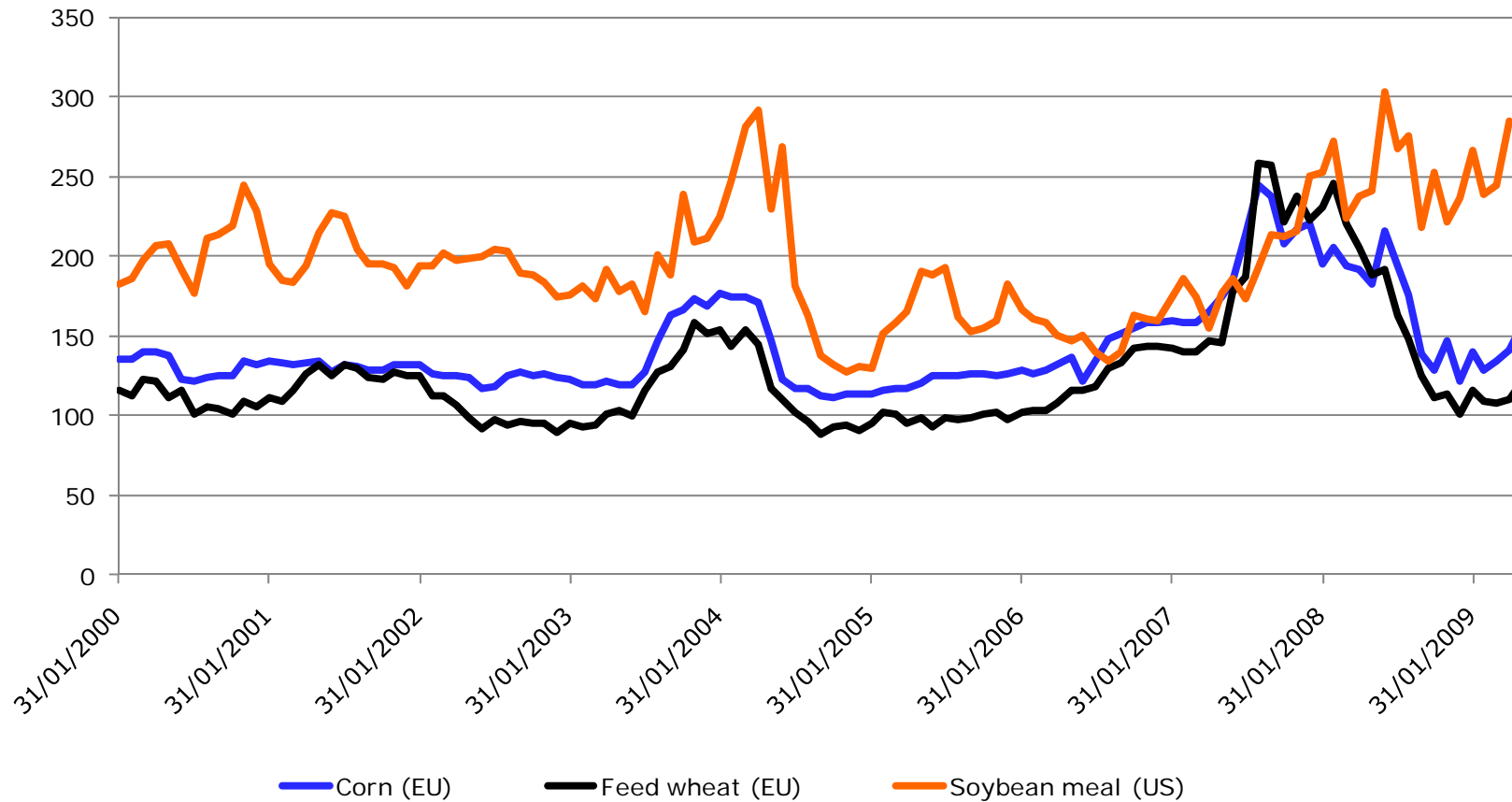
Broiler feed, live costs and processing wage comparison in USD

	<b>Broiler feed (USD/tonne)</b>	<b>Cost live broiler (USD/kg)</b>	<b>Processing wage (USD/month)</b>
USA	240	0.77	2,500
Brazil	260	0.71	400
Argentina	240	0.69	440
EU	390	0.92	3,000
Russia	380	0.91	440
China	410	0.96	220
Thailand	340	0.86	250
India	300	0.85	100

# Increasing volatility in grains and oilseeds prices



Grains and oilseeds prices (USD/tonne)



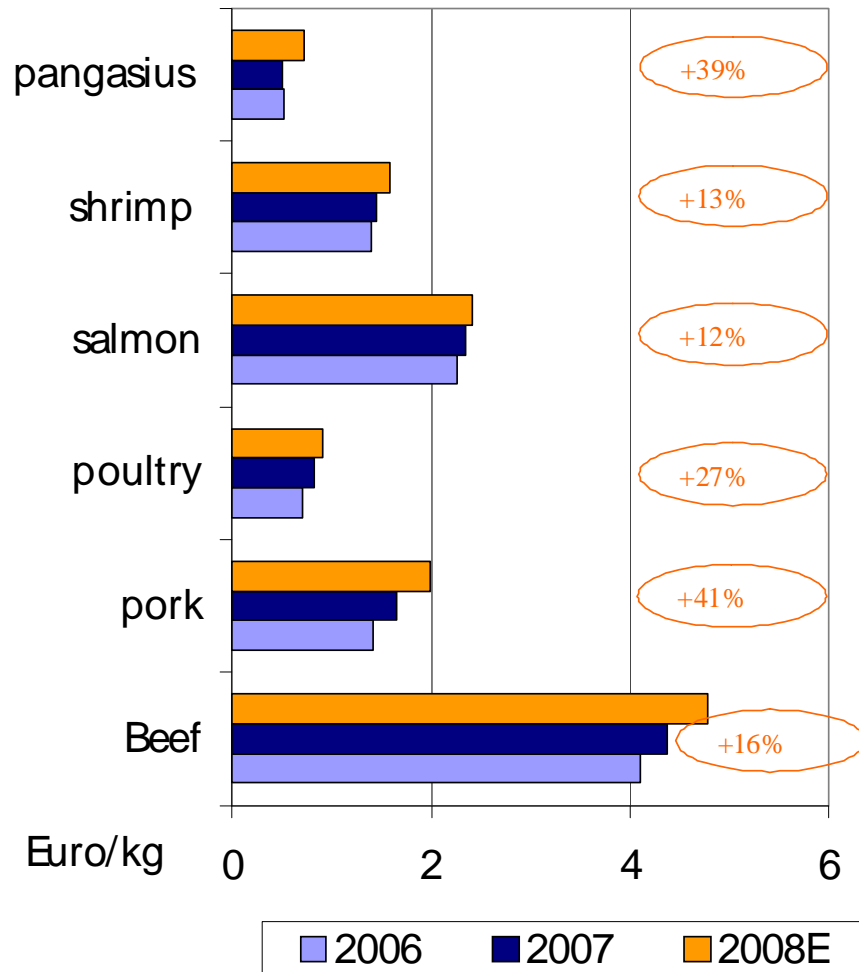
Source: Bloomberg

# Price competitiveness and flexibility of poultry fitting well with future market needs

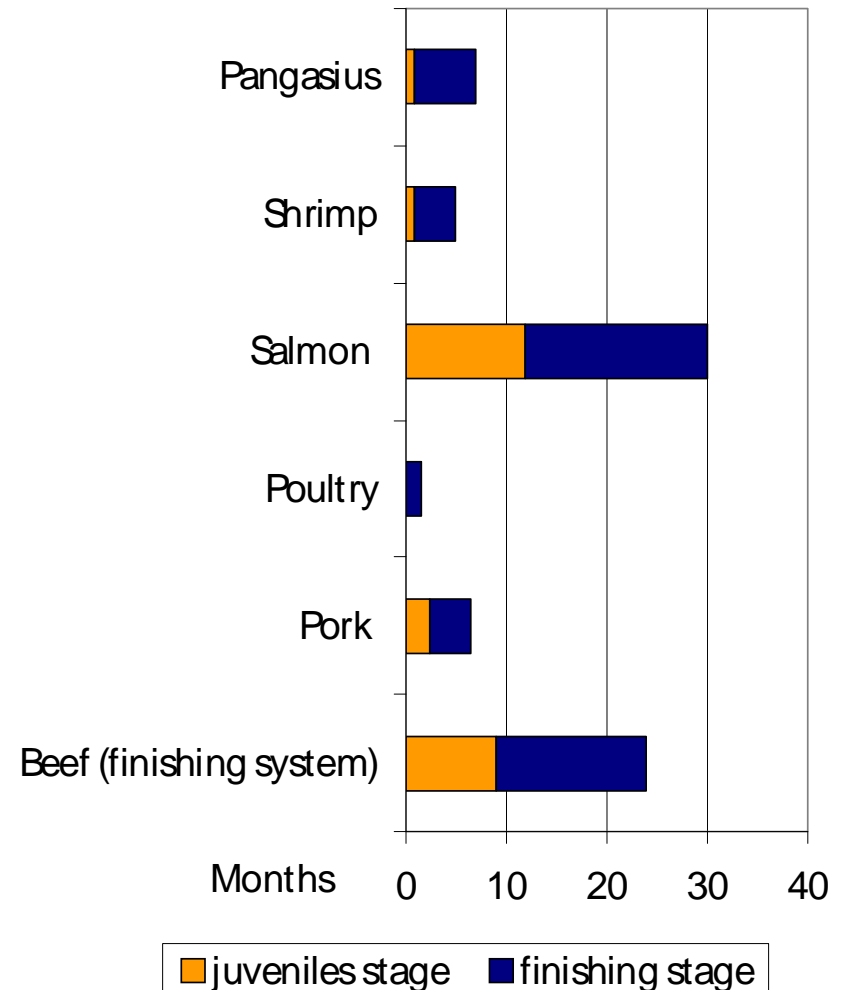


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## Cost comparison 2006-2008



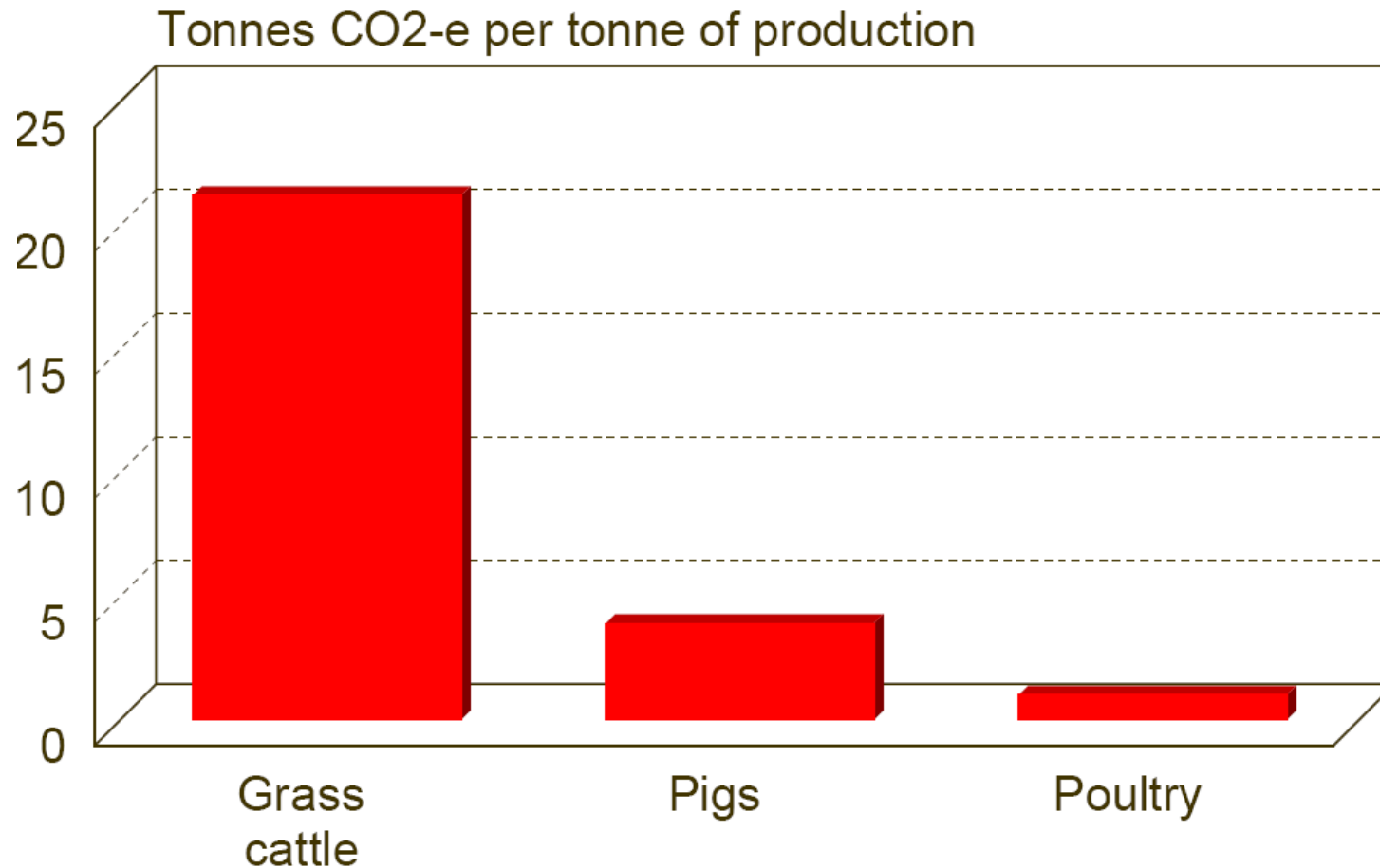
## Duration of farming cycle



# Cattle is more polluting under Kyoto protocol methodologies than other livestock



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# Governments more concerned about impact of meat consumption on climate



guardian.co.uk

## Day of the lentil burghers: Ghent goes veggie to lose weight and save planet

- Belgian city hopes radical experiment will catch on
- Meat, fish and seafood off the menu every Thursday



Ian Traynor in Ghent  
The Guardian, Thursday 14 May 2009  
[Article history](#)



Vegetarian delights such as soya fritters, eggless mayo and aubergine caviar will become part of Ghent's diet every Thursday. Photograph: Gianni Barbieux



## Good Eco news: Review of Australia's Dietary Guidelines

The National Health and Medical Research Council is currently reviewing [Australia's dietary guidelines](#). The current guidelines recommend adults eat three to four serves of red meat a week and up to 1,300mg of calcium per day (that is approximately 4 serves of dairy!). Not great for the environment! For example, raising animals for food generates more greenhouse gases than all the cars and trucks in the world combined.

As reported [yesterday](#), the Public Health Association of Australia has recommended the environmental impact of food be considered in the revised guidelines. "A small reduction in eating red meat and dairy would be a positive step for the environment and generally a positive step for health".



As you can see from some of my family's weekly dairy intake above - dairy is something we eat way too much of. I am currently looking into alternative sources of calcium that have a lower ecological impact to substitute for some of our dairy.

# Marks & Spencer's five principal elements of Plan A



The screenshot shows the Marks & Spencer website header with navigation links: M&S Homepage, Store Finder, Help, Wish List, and Quick order. Below the header is a dark navigation bar with 'Plan A' in large green letters and links for 'Shop all Departments', 'Your M&S', and 'My Account'. The main banner features a green background with a white rabbit, five stylized plants (lightbulb, recycling symbol, leaf, handshake, sun), and a '1 2 3 4' indicator. The text reads: 'Plan A Because there is no plan B' and 'Plan A is our five-year, 100 point plan to tackle some of the biggest challenges facing our business and world.' A 'Find out more' button is in the bottom left.

## Five Principal Elements of Marks & Spencer's Eco-Plan A (because there is no Plan B!).

- Climate Change – e.g. carbon neutral by 2012
- Reduce Waste – strict waste targets, no land fill
- Sustainable Raw Materials, e.g.:
  - MSC fish and seafood
  - animal welfare-friendly meat, milk and eggs
  - pesticide reduction (of course, no hormones)
- Fair Partner – e.g. best practice in ETI
- Consumer Health – e.g. salt below mandatory UK Government maximum levels, no trans fats

MARKS & SPENCER

# Wal\*Mart sustainable product index

## Wal\*Mart Launch Sustainable Product Index

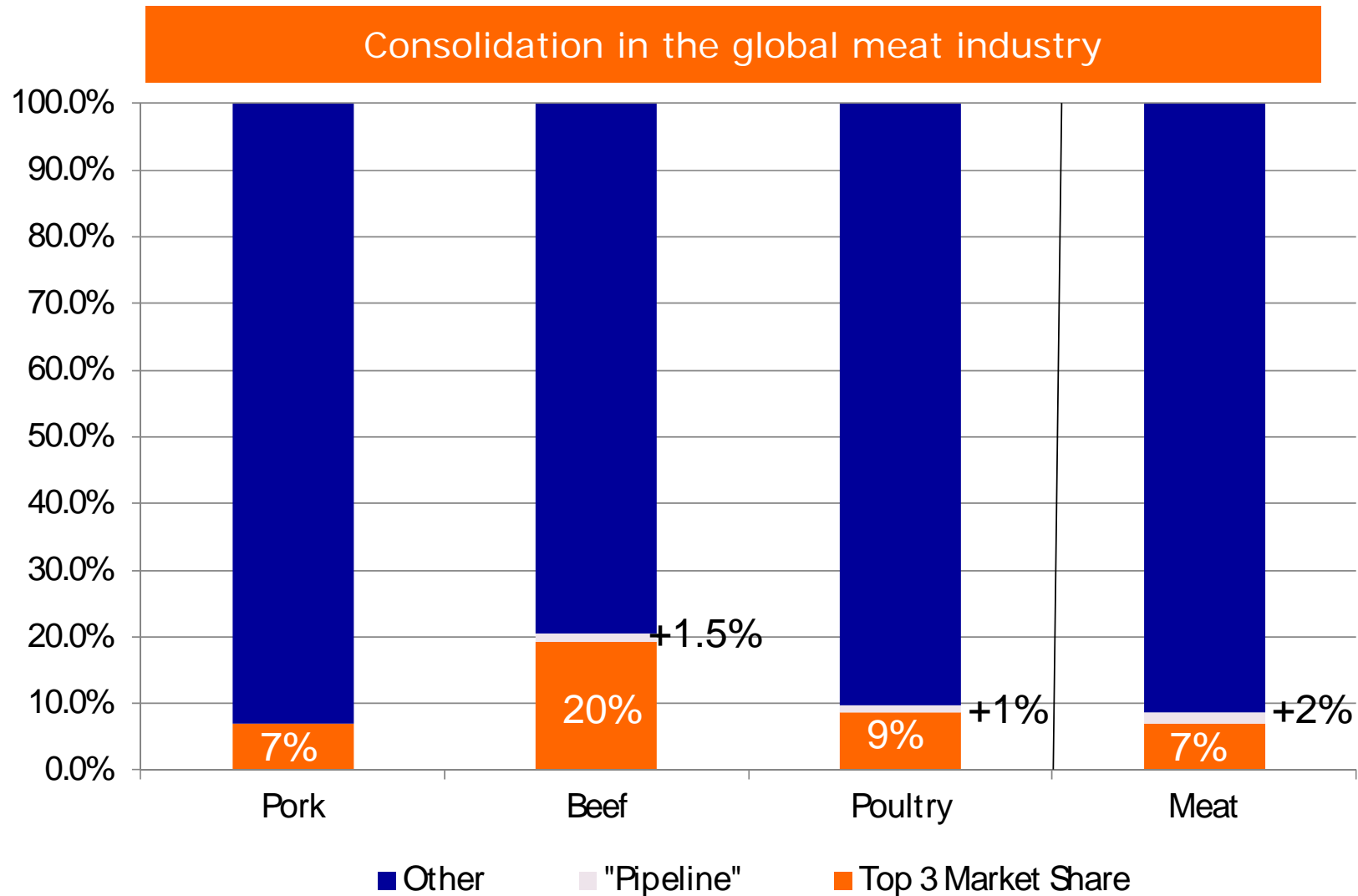
- Aim to establish “single source of data for evaluating the sustainability of grocery products”
- Stage 1: 15 question survey to all suppliers covering: energy and climate; material efficiency; natural resources; and people and community
- Stage 2: establish independent Sustainability Index Consortium for global database on lifecycle of products - raw materials to disposal
- Stage 3: produce consumer-facing sustainability rating for products
- Greenpeace USA: “significant initiative given W\*M’s ability to influence behaviour of suppliers”

# Content

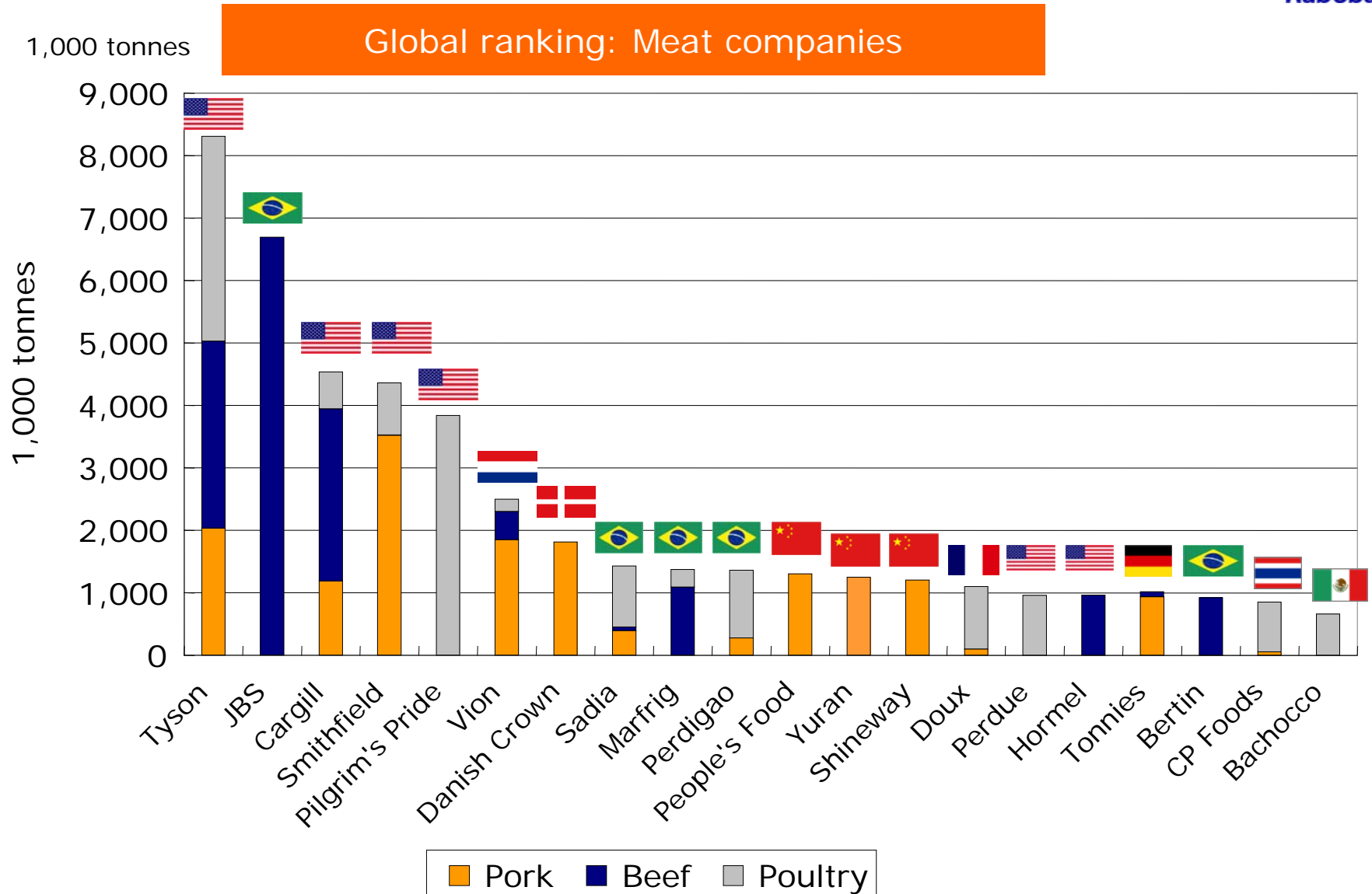
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# The beef industry is the most consolidated industry on a global level

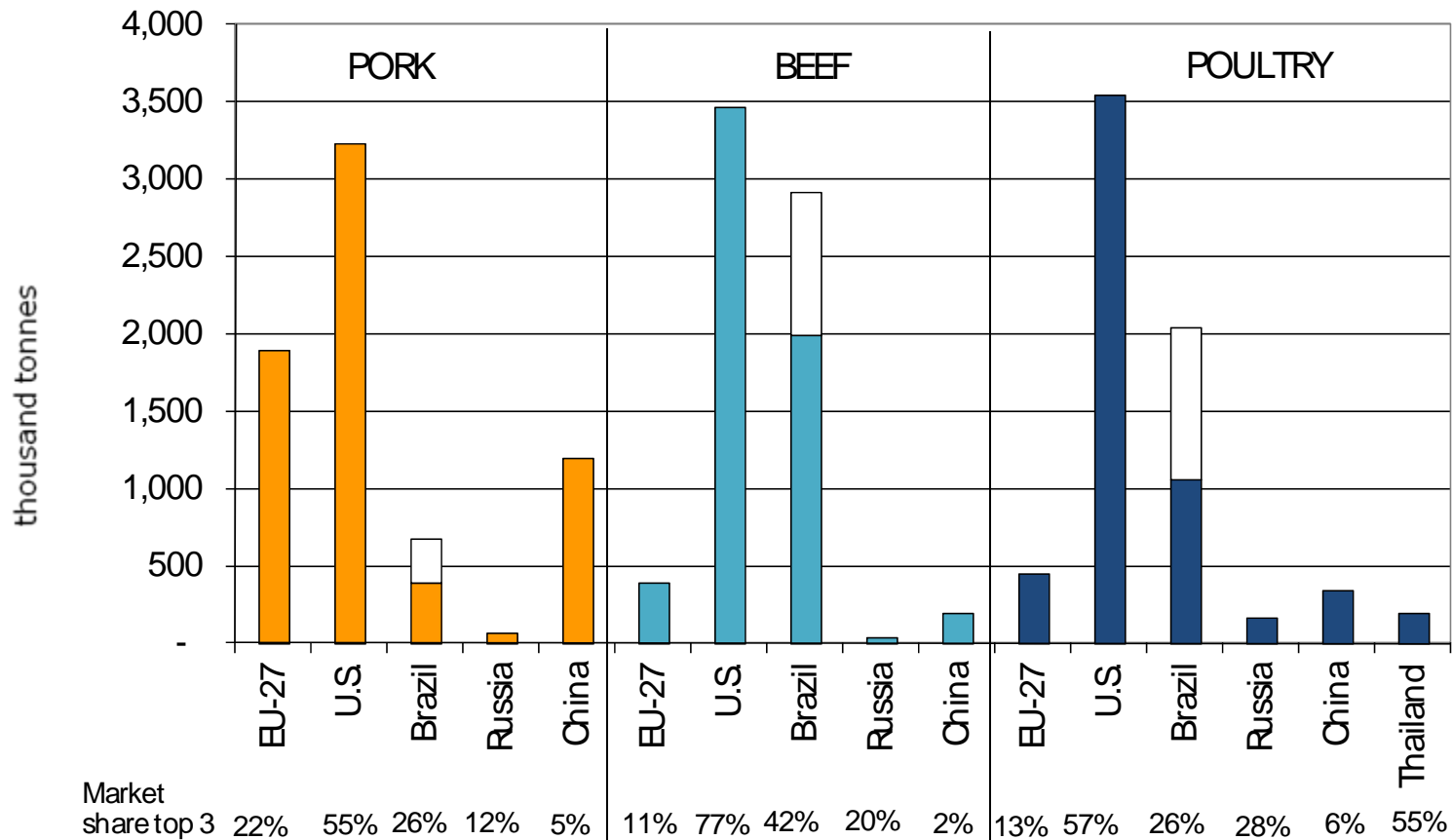


# US and Brazilian meat companies dominate global rankings



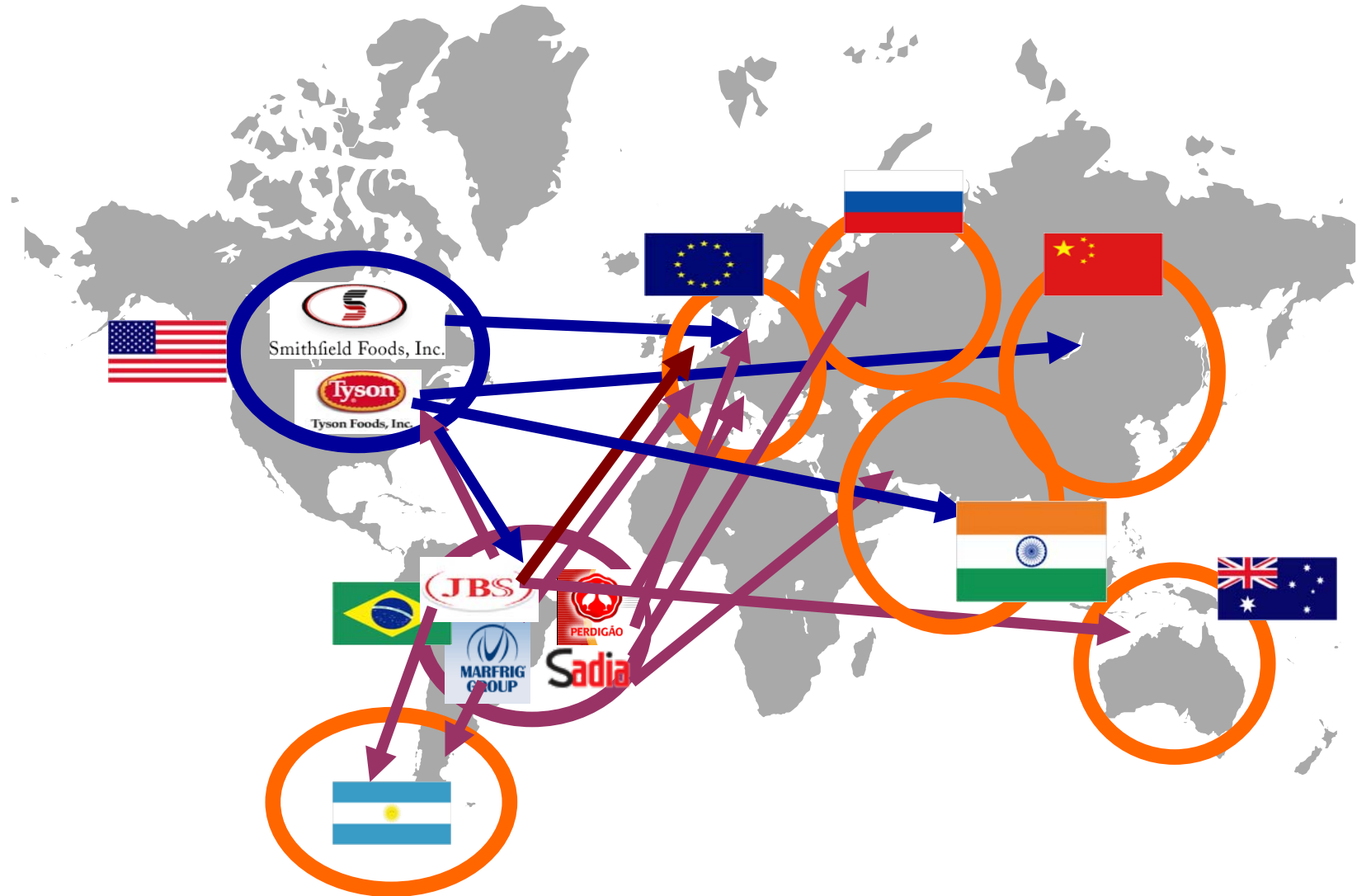
# Where is Europe?

Differences in size and consolidation levels between EU, US and Brazilian companies



Source: Public company information

# Brazilian and US companies drive global consolidation process in meat industry



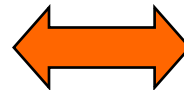
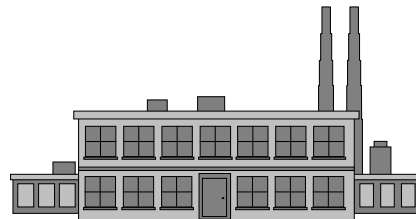
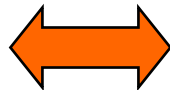
# Four key strategic options for market growth



Economics of scale



Access to new market growth



Access to low-cost supply



Multispecies

# Why are companies getting larger?

Bargaining power

Retail needs: Size, homogeneity and international purchasing

Scale: Research and development

Scale: Marketing and promotion

Scale: Efficient production opportunities

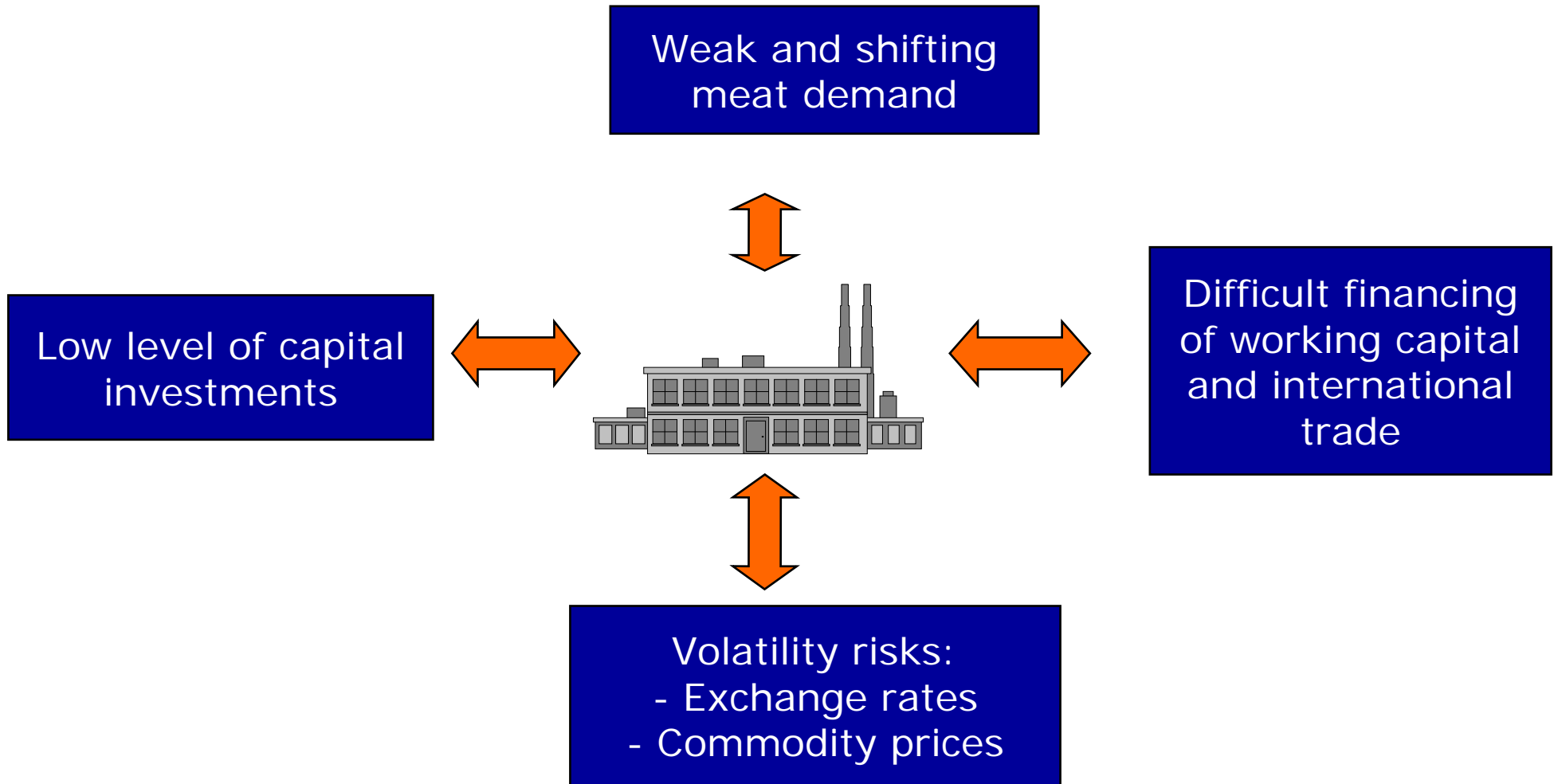
Scale: Distribution and exports

Risk mitigation

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# What is the impact of the crisis on the industry?



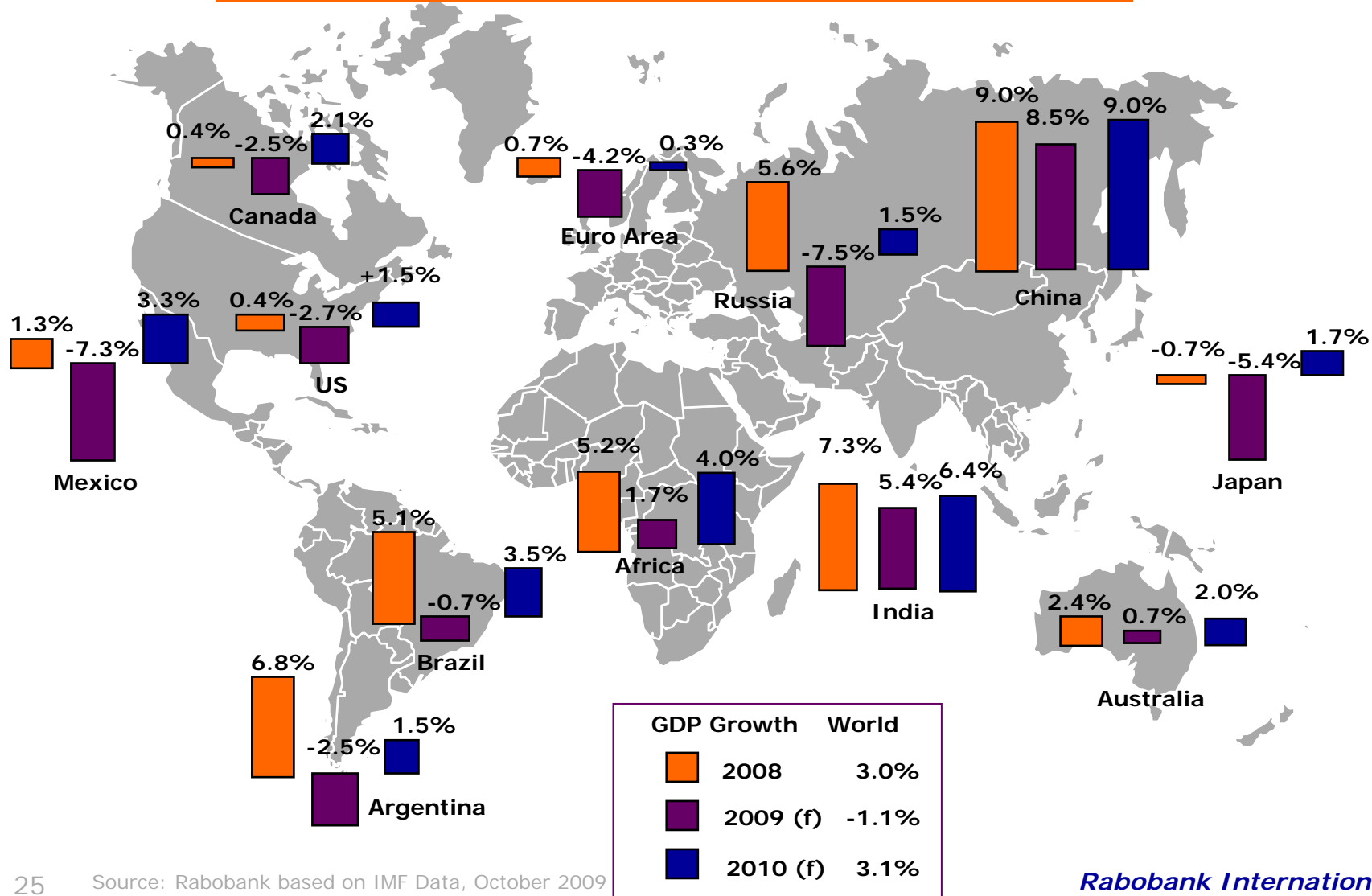


# Slow recovery next year?



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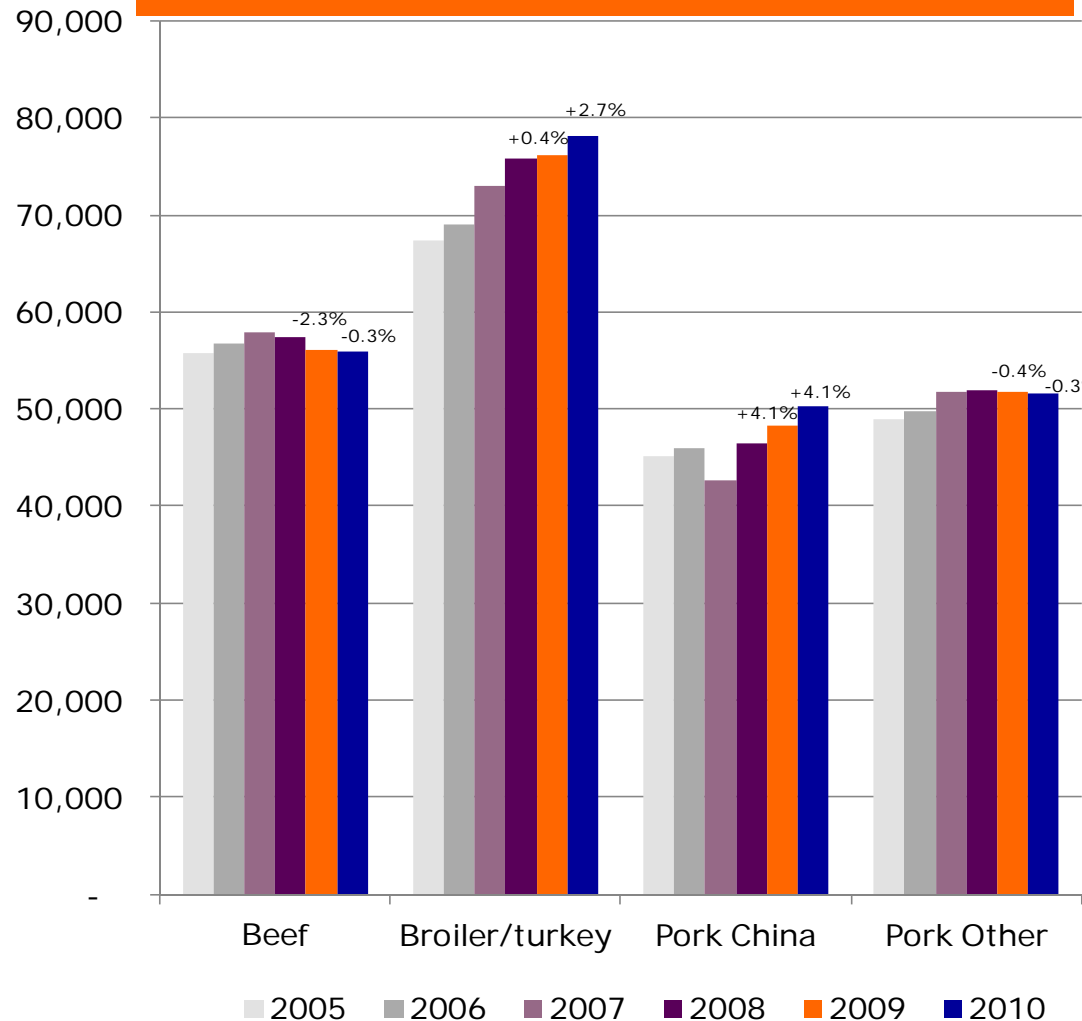
GDP - 2008, 2009, 2010



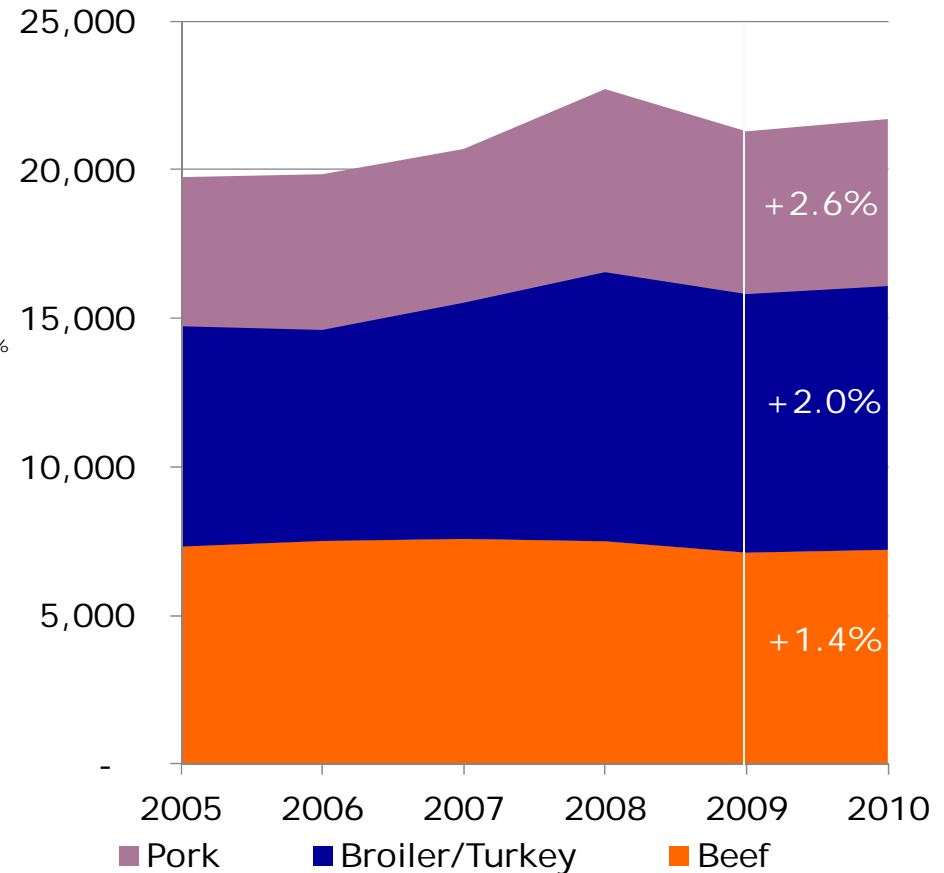
# Recovery in global meat market



## Global meat demand outlook



## Global trade outlook

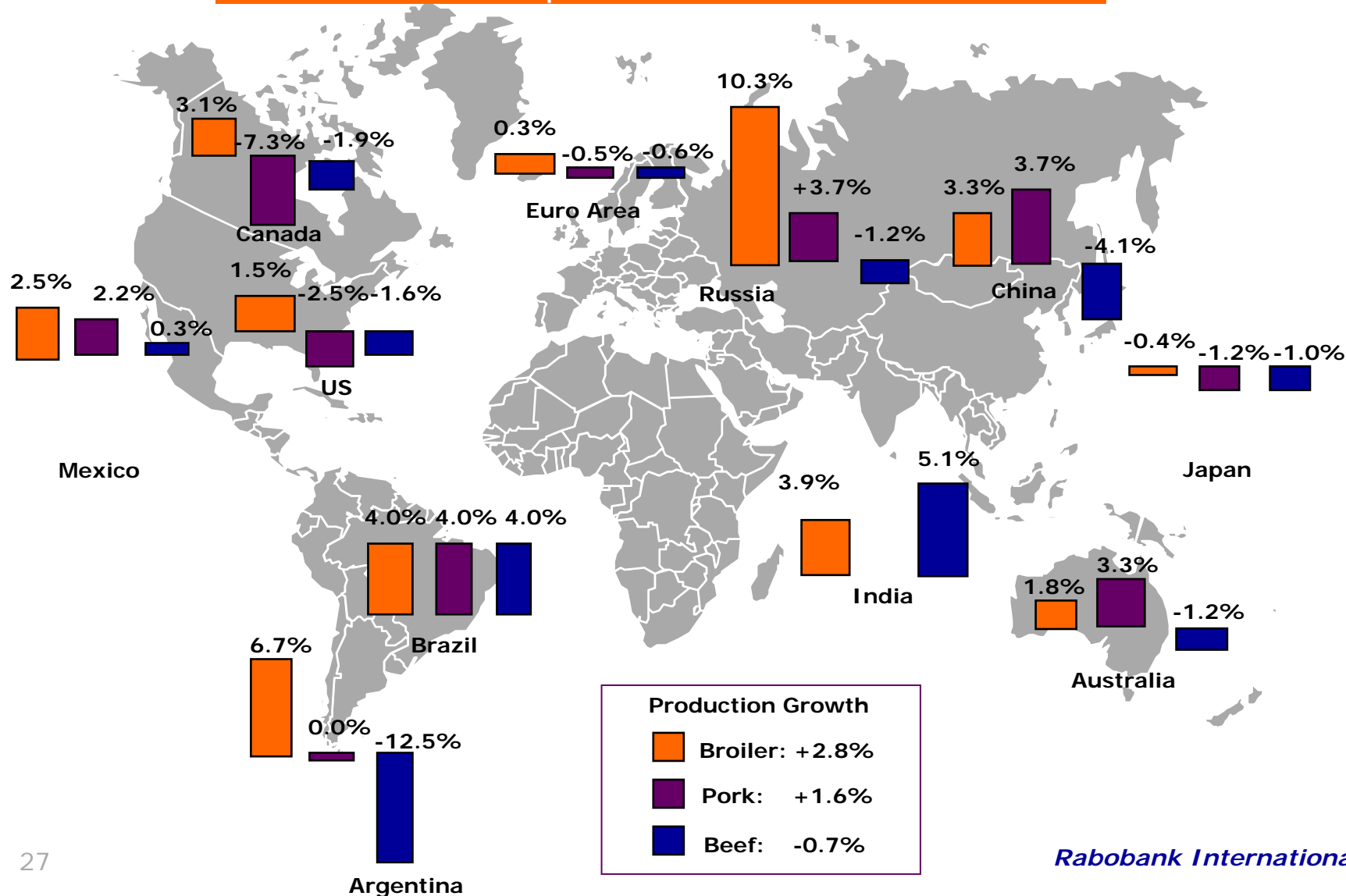


# Poultry industry will outperform pork and beef industry in 2010



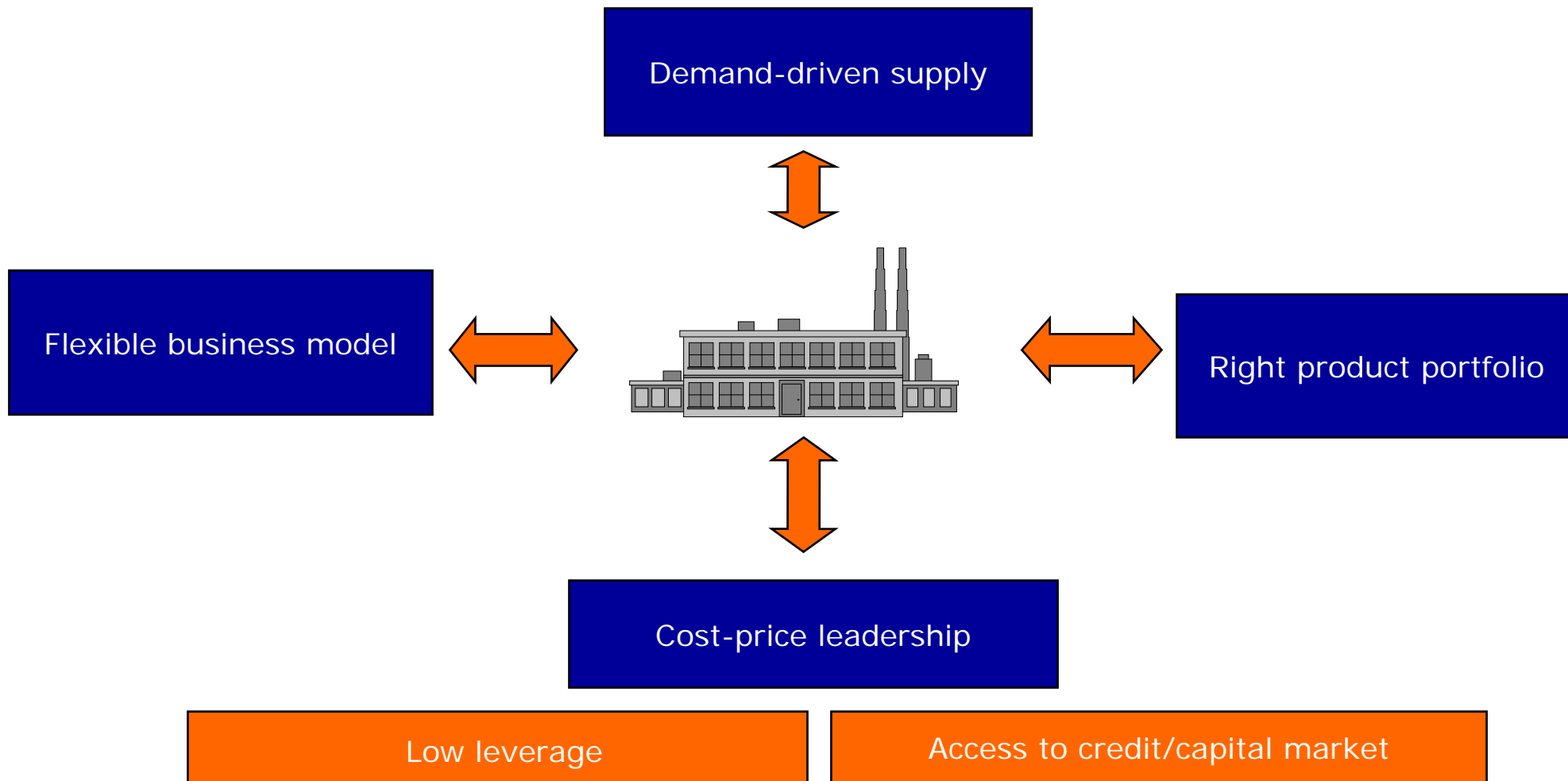
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## Global meat production forecast 2010



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# Companies with “winning edge” will improve position in times of recovery



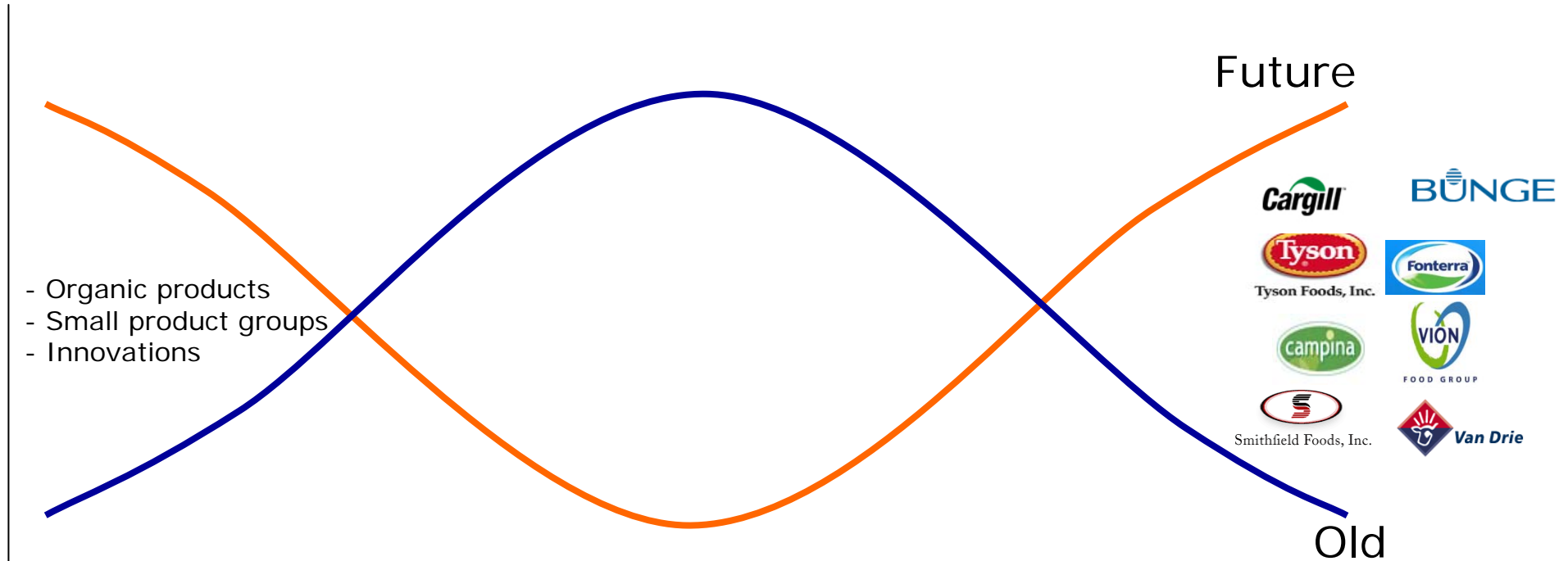
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# Where will you be in the industry landscape in 2015?



Number of companies



## Niche

- Small volumes
- Differences
- Specialisation

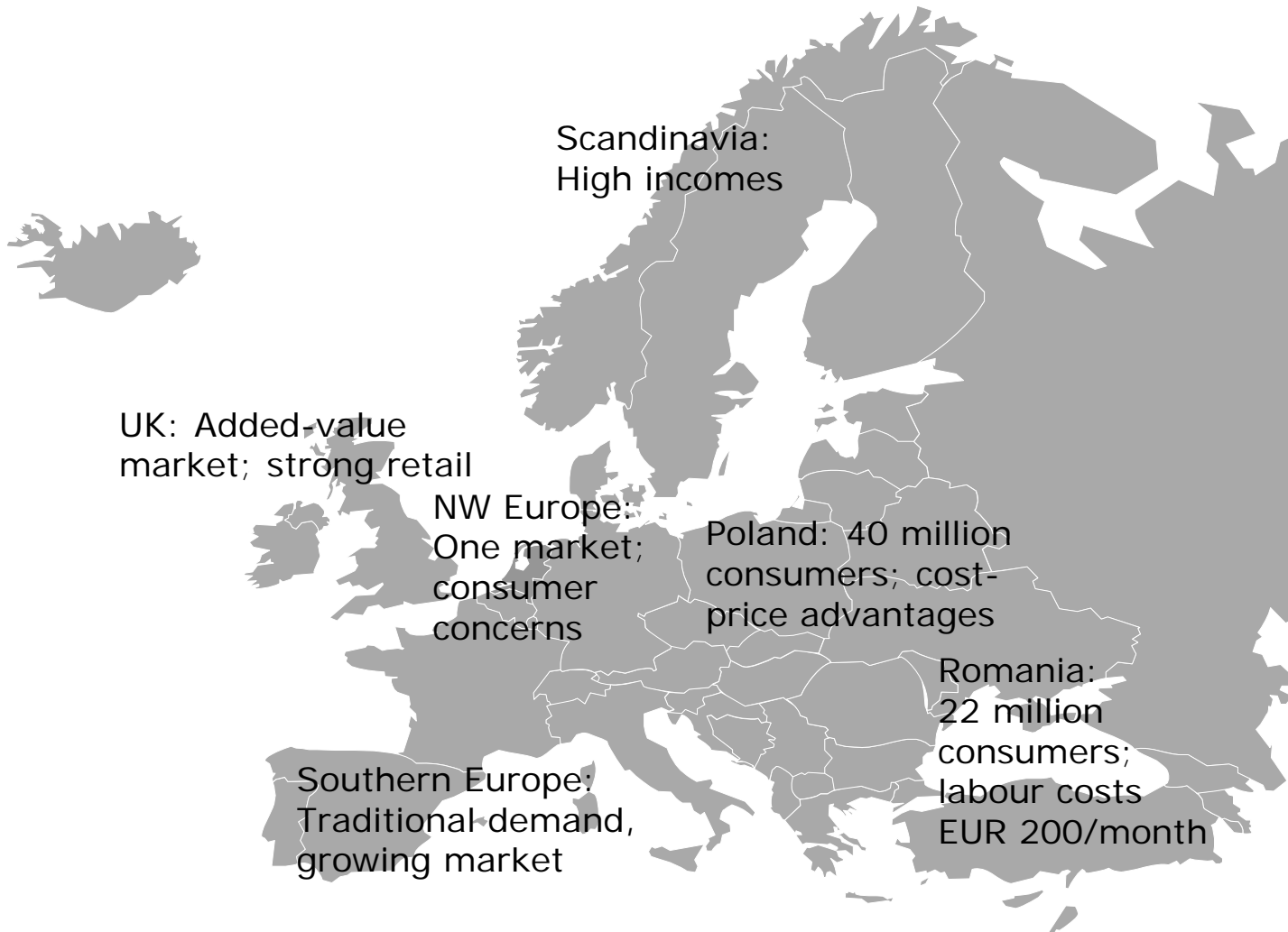
## Commodity

- Basic products
- Large volumes
- International

# European sector should better utilise large European market



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EU-27: Almost 500 million consumers

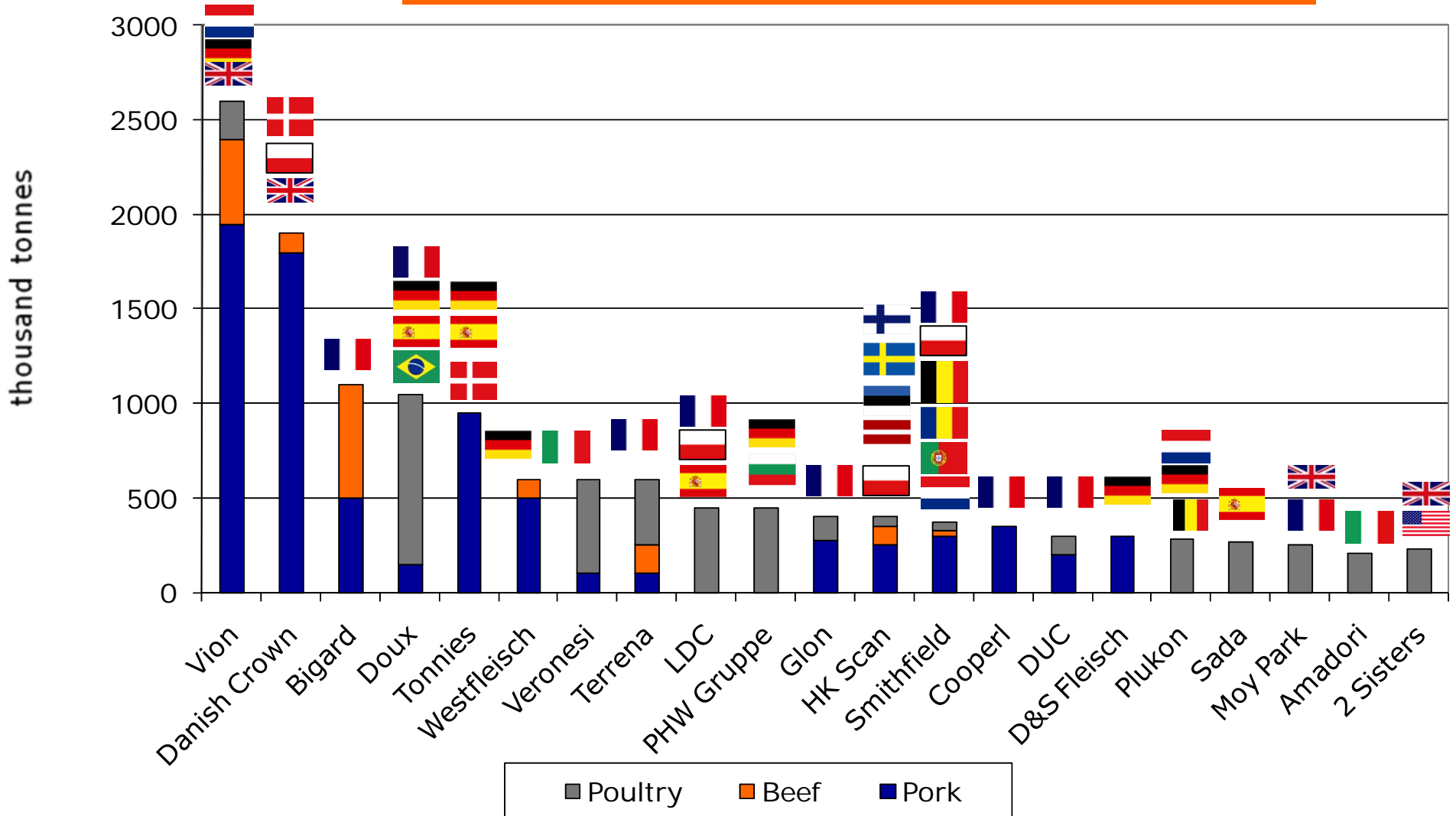
Large differences in competitive advantages

Poultry industry still a domestic industry

# Europe has a fragmented, national industry



Top-20 meat companies in Europe





# De Europese industrie verschuift van nationaal naar regionaal naar pan-Europees



Noordwest - 173 miljoen consumenten



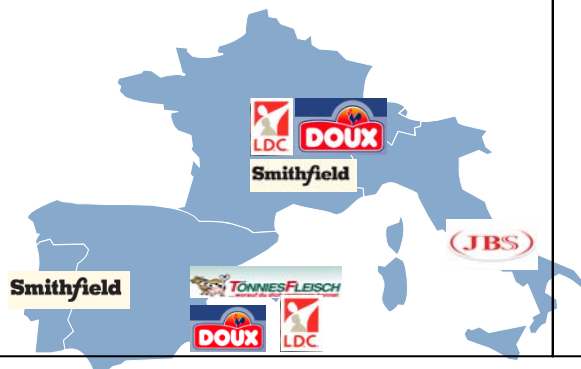
Noord- 20 miljoen consumenten



Oost - 79 miljoen consumenten



Zuid: 171 miljoen consumenten



Zuid Oost- 41 miljoen consumenten



# Is your business model 'industry proof'?



## 8 golden rules for winners in the meat industry

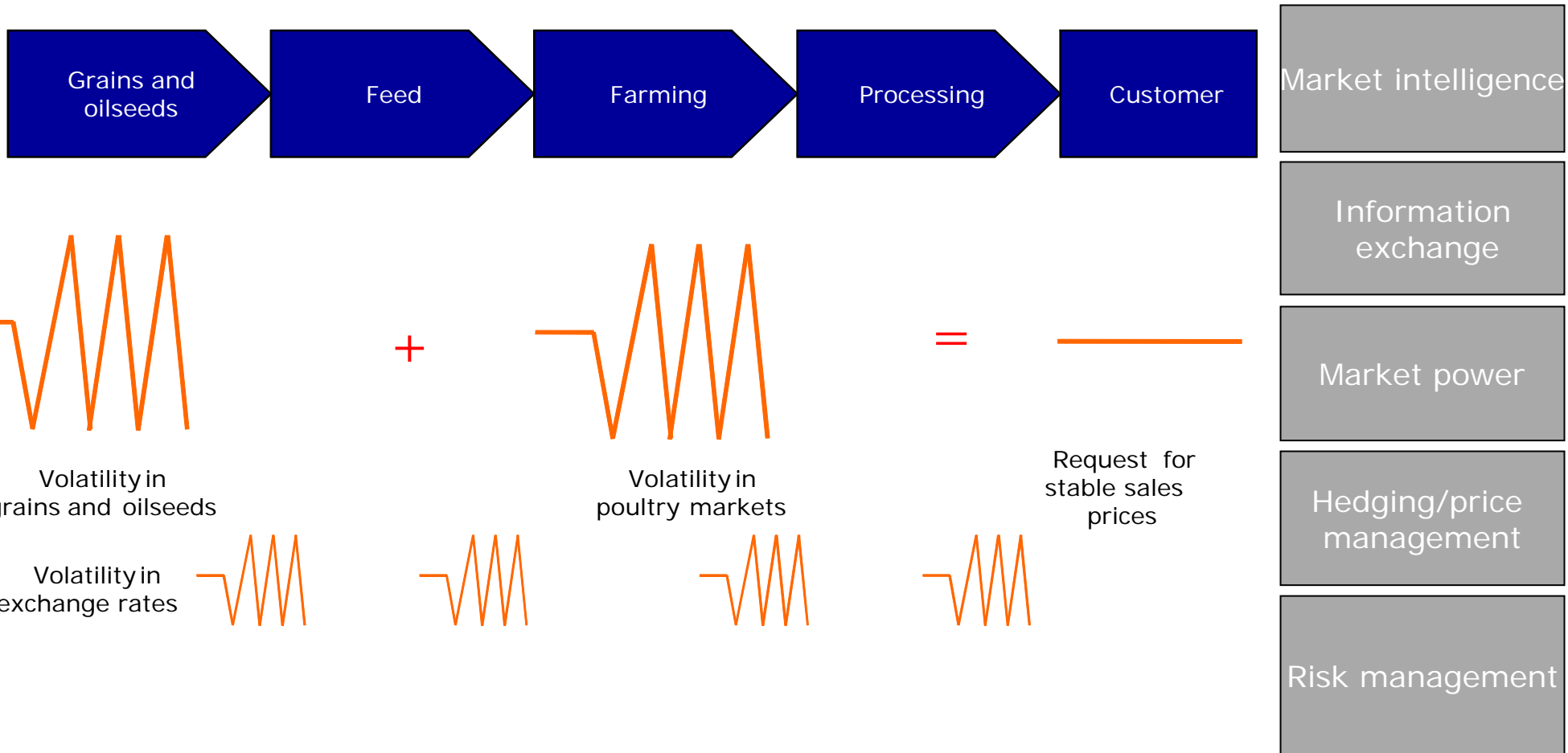
1. Focus on the right segments in the market and market intelligence
2. Be preferred supplier of the right customers or brand your product
3. Manage the value chain
4. Be prepared for higher volatility in the value chain
5. Ensure 100 percent safety and traceability of food
6. Be price competitive
7. Spread your risks
8. Have adequate scale and regional spread

# Scale is not everything: Good opportunities also for niche players



Mid range				
Premium				<p>Aimed at countering A brands</p>
Niche				<p>Traditional mainstream range</p>
Value				<p>Aimed at countering discounters</p>

# Be prepared for high volatility in the value chain



# Conclusions



Great long-term meat demand potential remains for global industry, but with a temporary slowdown due to economic crisis

Driven by long-term fundamentals, industry winners will start to restructure and expand next year; confidence and economic recovery will be key

Dealing with volatility in feed ingredients and exchange rates will be a key challenge for the industry in the coming years

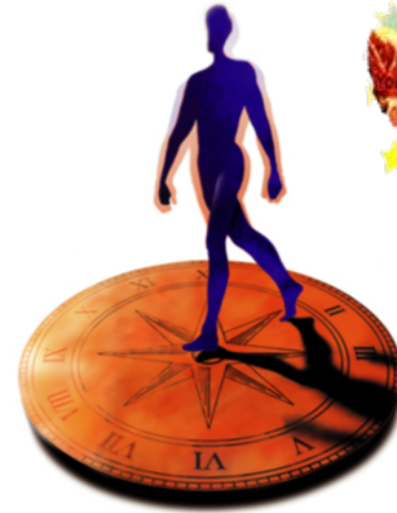
Consolidation in the global meat industry is driven by Brazilian and US companies; Europe is fragmented and does not utilise opportunities in large EU market

The European industry has to consolidate in the next five to 10 years to keep track with much bigger international companies

Main consolidation-motives will be bargaining power, access to new growth markets, access to low- cost production, and multispecies

Global meat industry landscape will change significantly in the next 10 years – Companies from emerging markets (China, Brazil) will play a leading role

Thank you for your attention



"The financial link in the  
global food chain"™

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