



# New perspectives

Outlook for the European meat market

8 January 2010

**Bord Bia**  
Irish Food Board

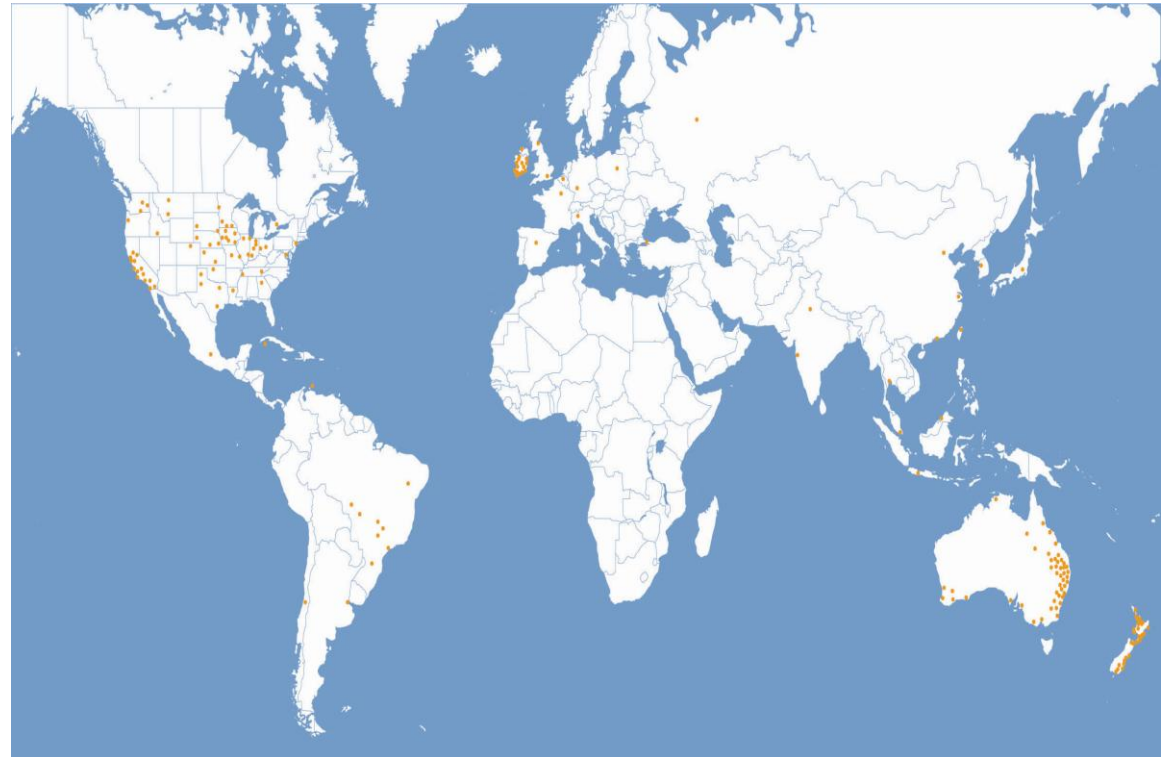
Albert Vernooij  
Rabobank International

***Rabobank International***

# What is Rabobank International?



- **Rabobank** is the largest financial services provider in the Netherlands
- **Rabobank** is an AAA rated financial institution
- **Rabobank** has a food & agri focus outside the Netherlands
- **Rabobank** has a global network of dedicated research professionals



# FAR: Global network of research professionals



Over 80 people  
in 12 countries

Focus areas:

- Animal Protein
- Beverages
- Clean Tech
- Dairy
- Farm Inputs
- Food Retail
- Fruits & Vegetables
- Grains & Oilseeds
- Sugar & Sweeteners



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**The global meat market**

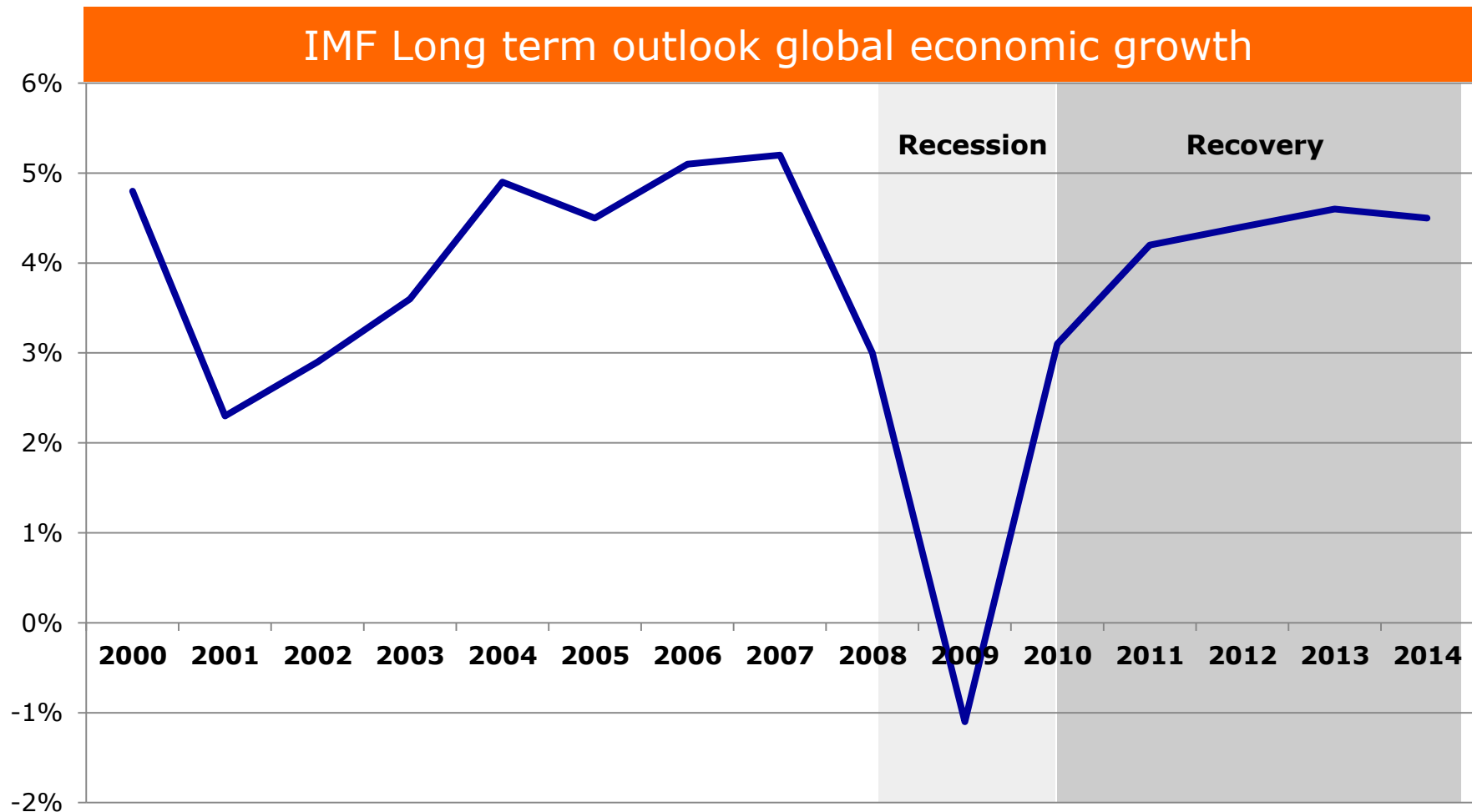
Section 2

Challenges for the European meat industry

Section 3

Implications for the European meat industry

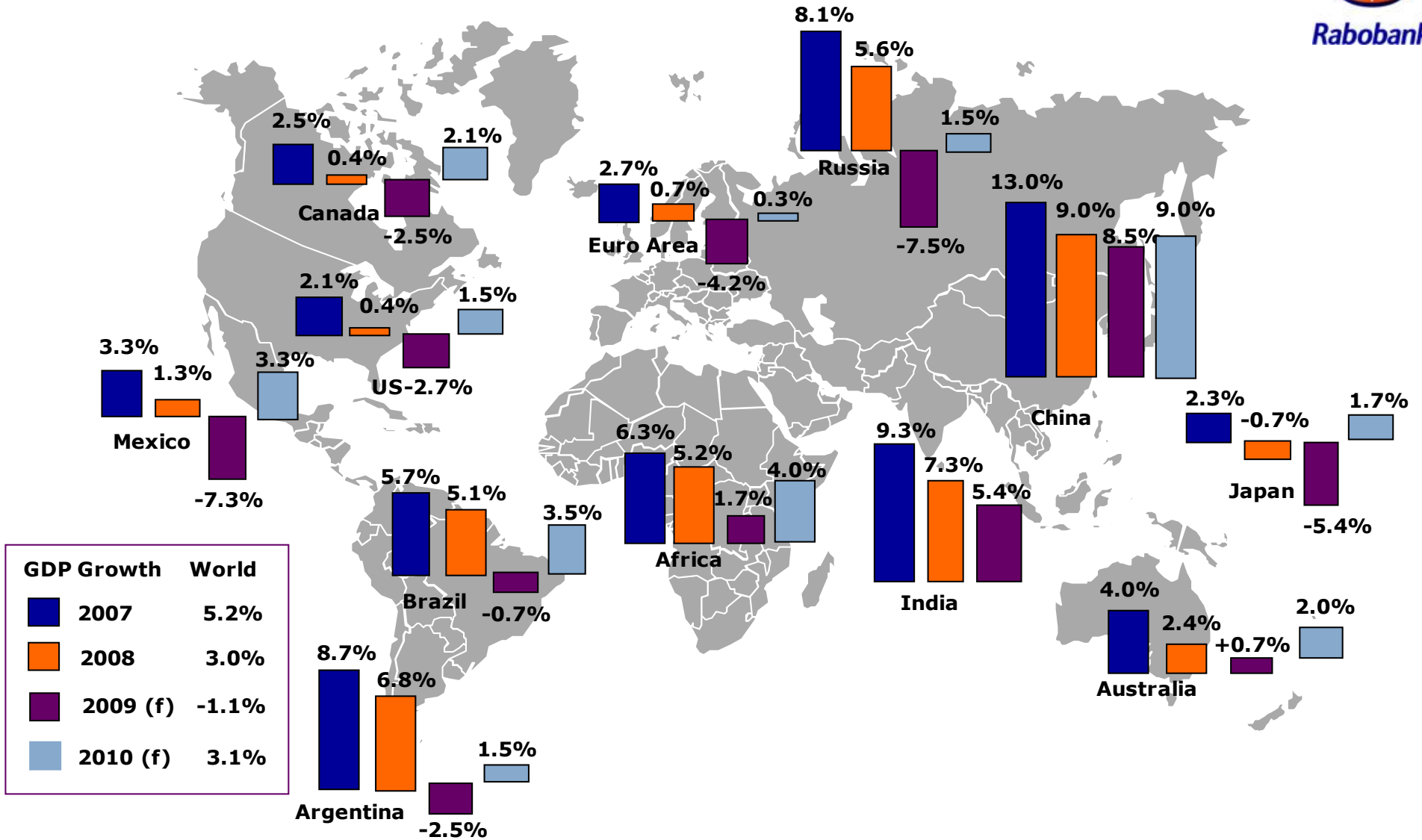
# IMF forecasts further recovery world economy after 2010



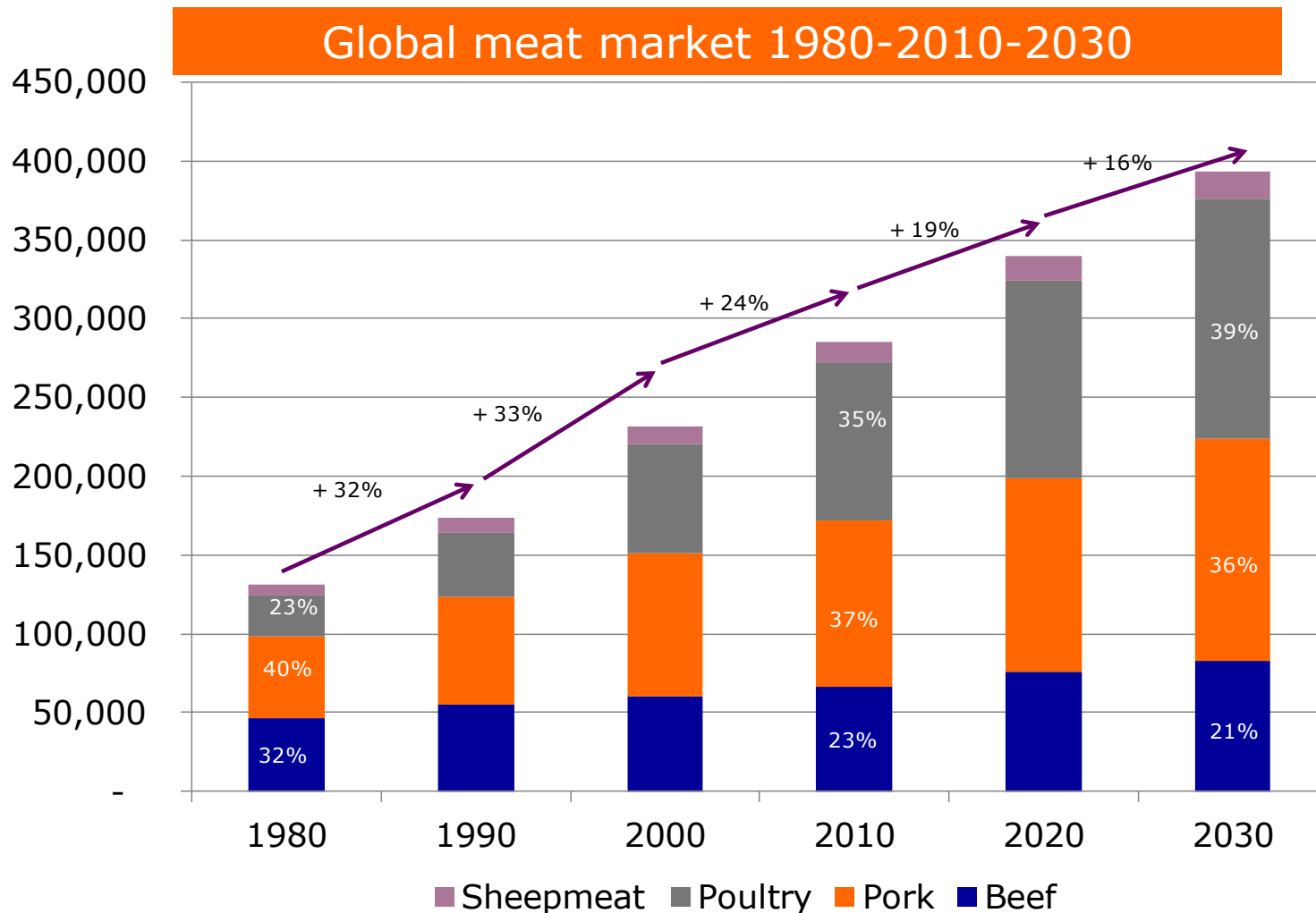
# In 2010 modest recovery in most countries



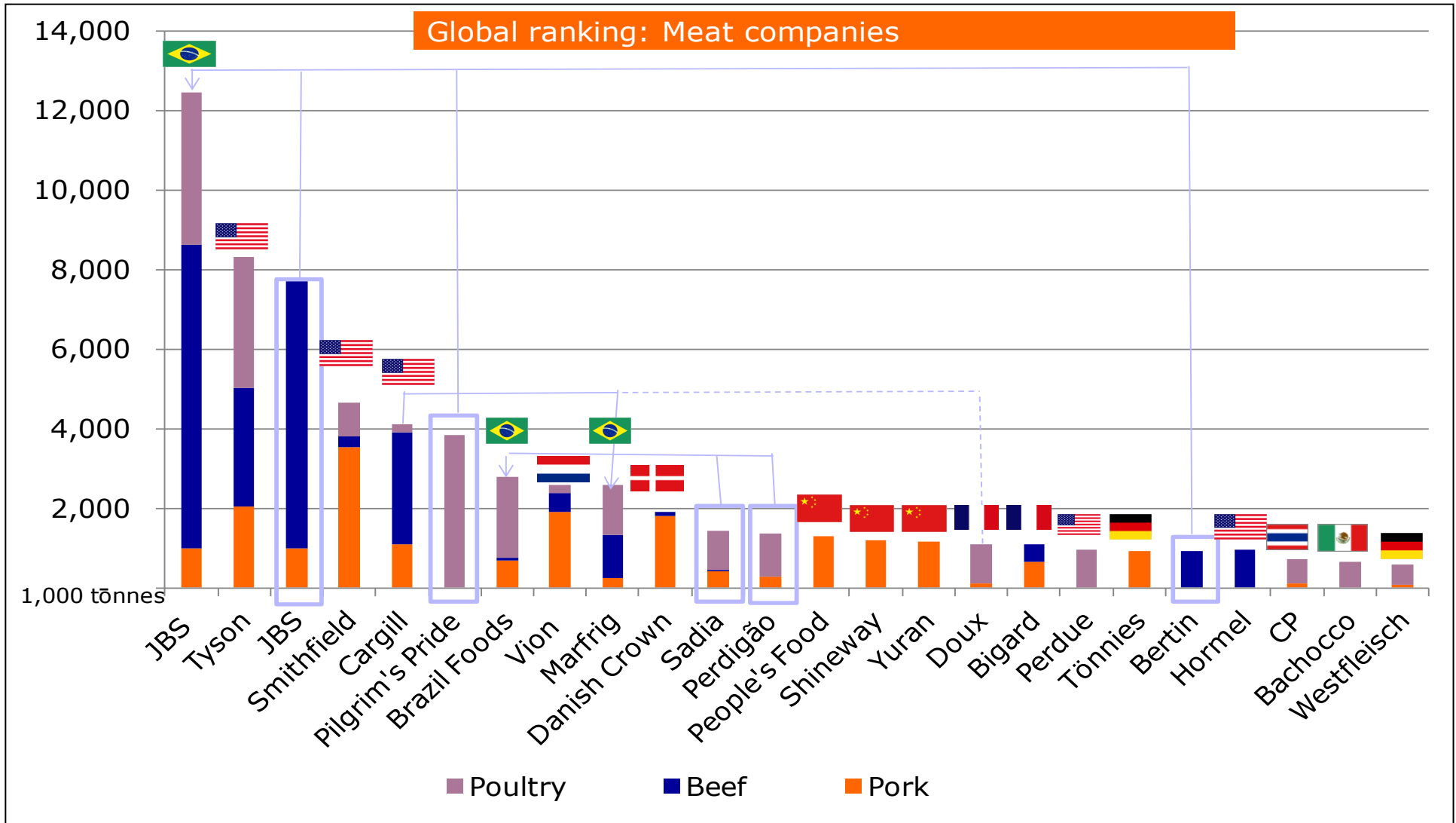
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# World meat market will grow by almost 40% in next 20 years



# With a fast consolidating global meat industry

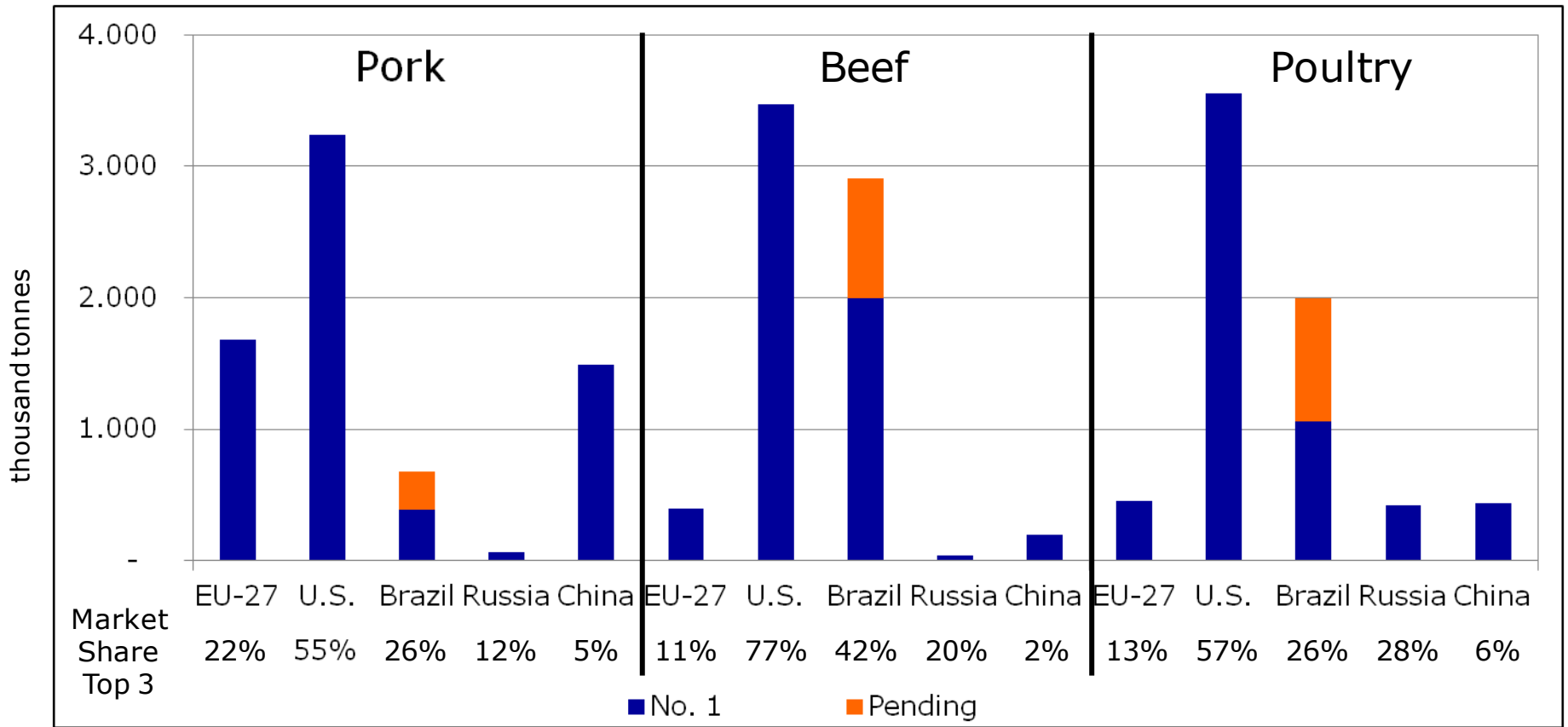




# Where is Europe?



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



Source: Public company information, 2009

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**Changing industry landscapes**

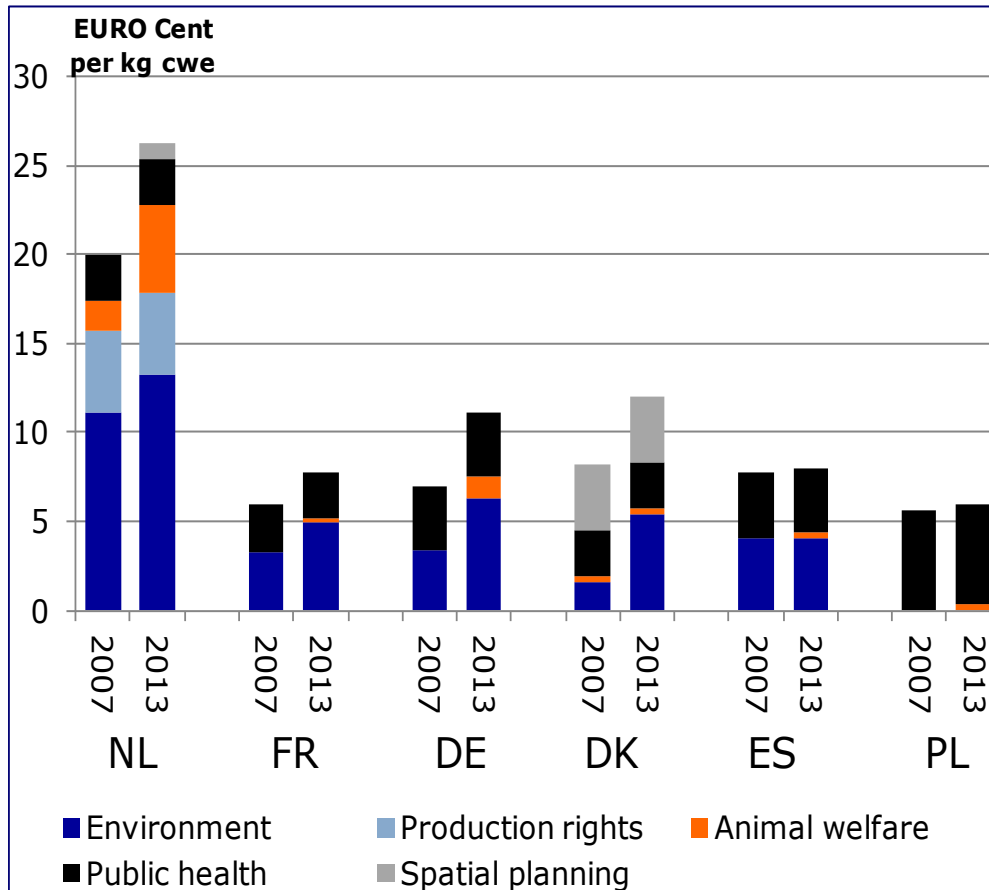
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Implications for the European meat industry

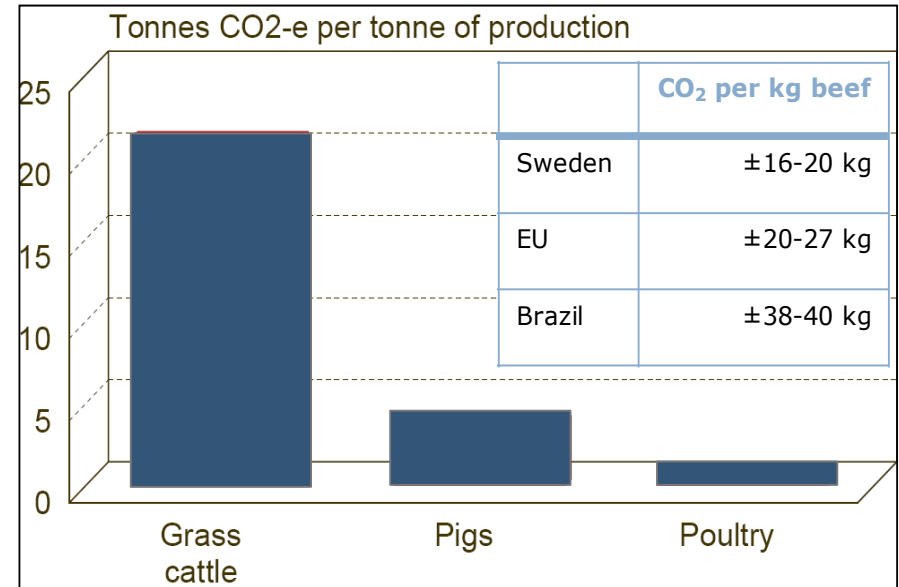
# 1. Sustainability: Rising cost prices mainly due to policy measures but 'Food miles' might offer opportunities



Increase in pork cost price due to policy measures in selected countries



CO2 excretion per specie and in selected countries for beef



## 2. Politics: a WTO-agreement will result in fast increasing margin pressure



Expected 2014 EU protein prices without (baseline) and with WTO agreement (2008 proposal)

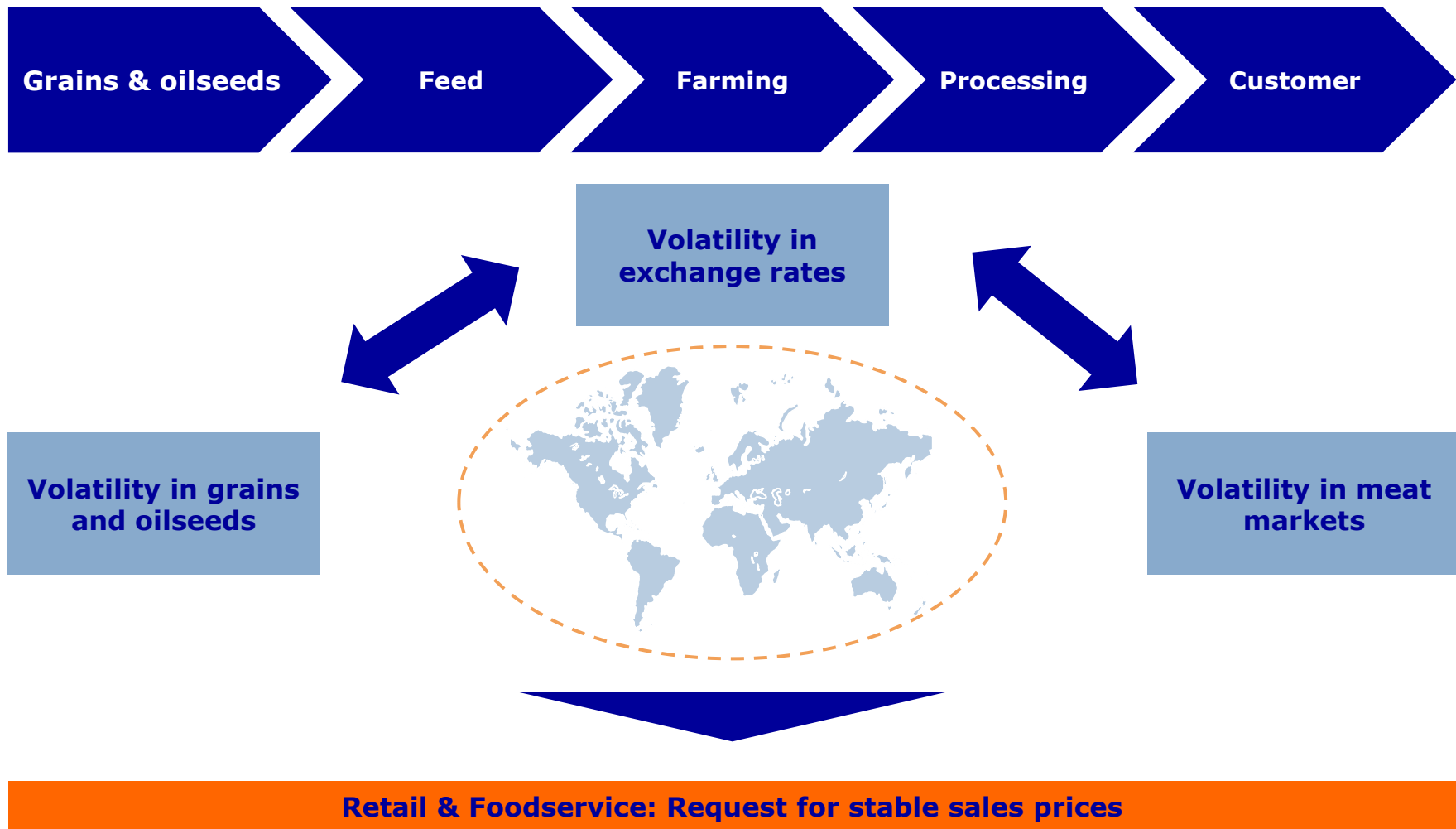
	<b>2007</b>	<b>2014 Baseline</b>	<b>2014 WTO</b>	<b>2014 Baseline /2007</b>	<b>2014 WTO /2007</b>
Beef & veal	308.4	293.8	238.01	-5%	-23%
Pork	135.2	147.4	120.89	9%	-11%
Poultry	148.3	140.6	108.27	-5%	-27%
Lamb (heavy)	399.0	440.6	385.00	10%	-4%

EU meat industry highly vulnerable to possible WTO agreement:

- With current high protection, already 21% of lamb and 6-7% of beef and poultry demand is imported
- Feed availability (including meat & bone meal), natural conditions and higher regulation implementing costs result in higher cost prices in the EU

# 3. Position in the value chain

Be prepared for high volatility in the value chain

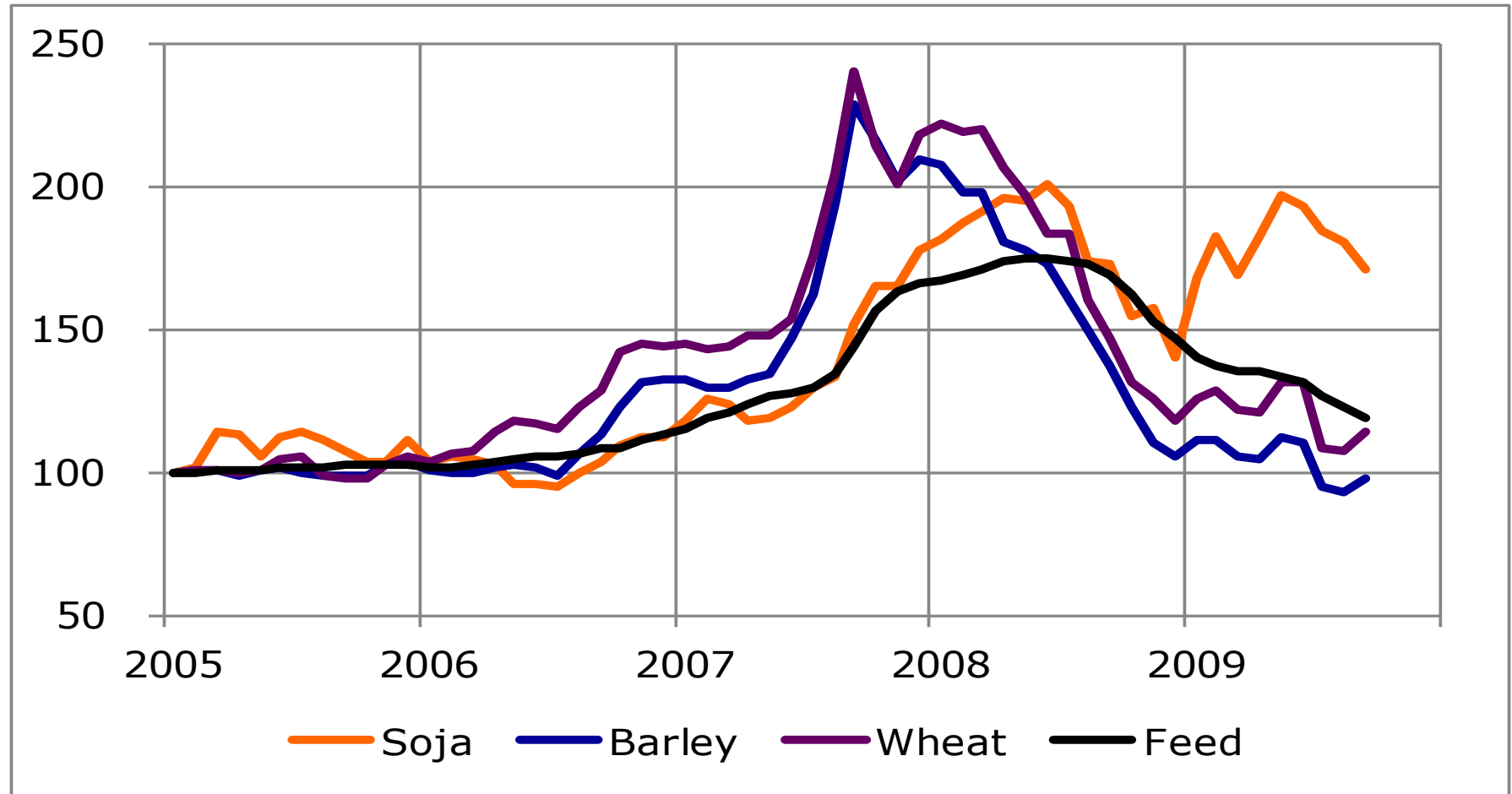


# Position in the value chain (2)

## Feed industry able to forward raw material price increase



Indexed price development Soy meal, wheat, barley and feed  
2005 = 100

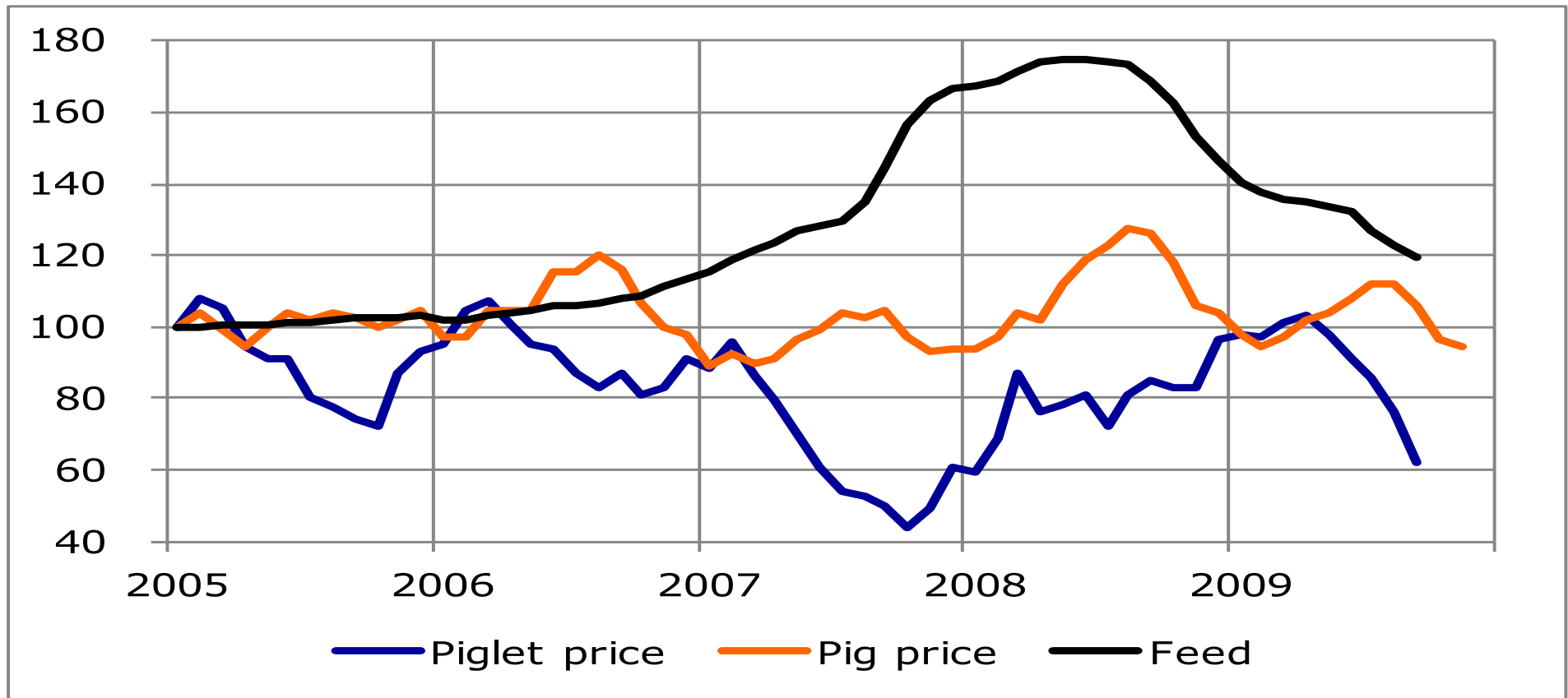


# Position in the value chain (3)

The primary industry has not been able to forward the price increase

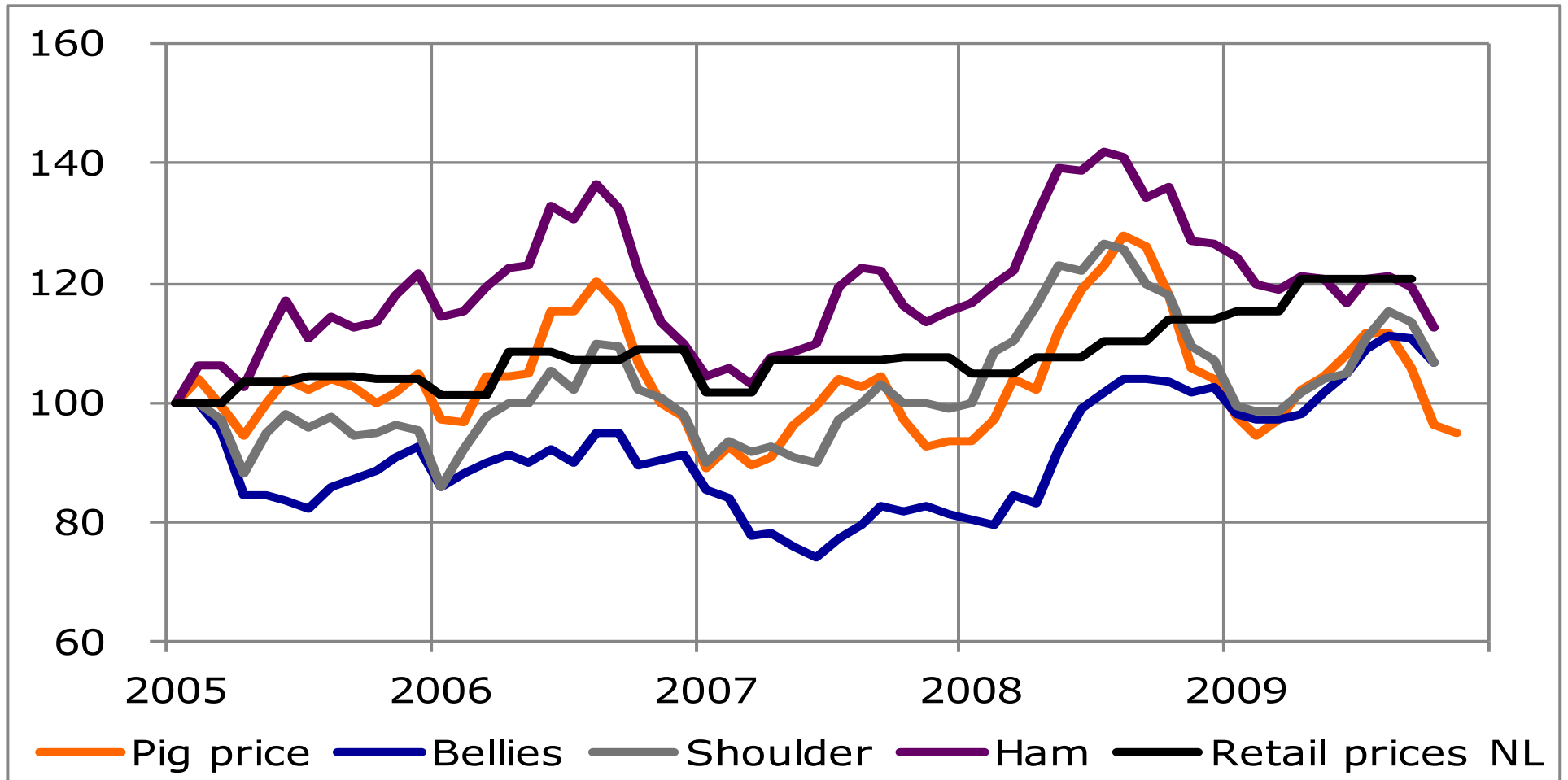


Indexed price development feed, piglets, pigs  
2005 = 100



# Position in the value chain (4)

Retail prices follow price changes with a time lag



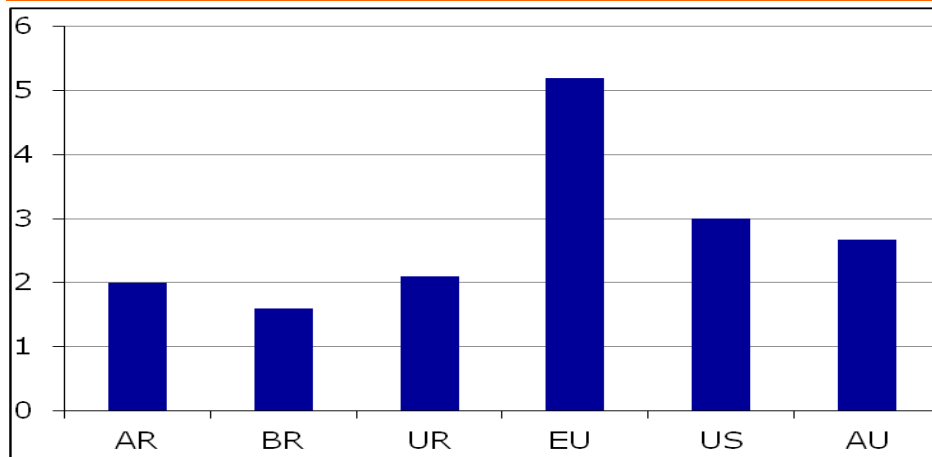


# 4. Competition:

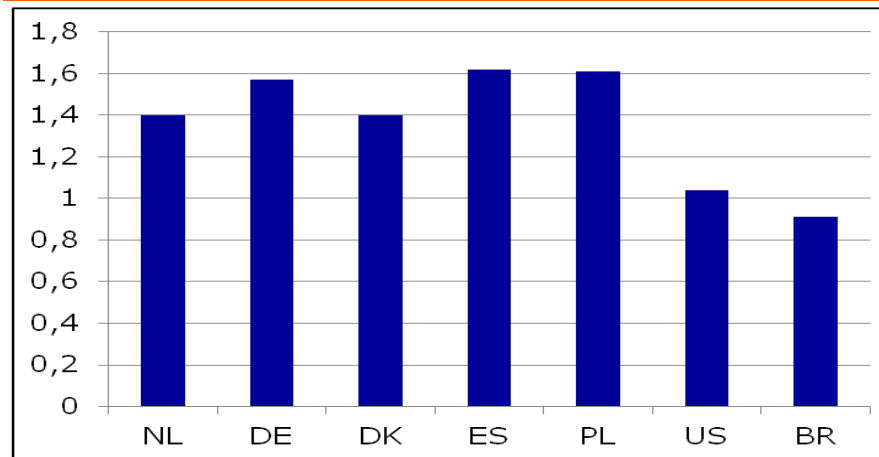
Cost price leading factor; exchange rate deciding factor



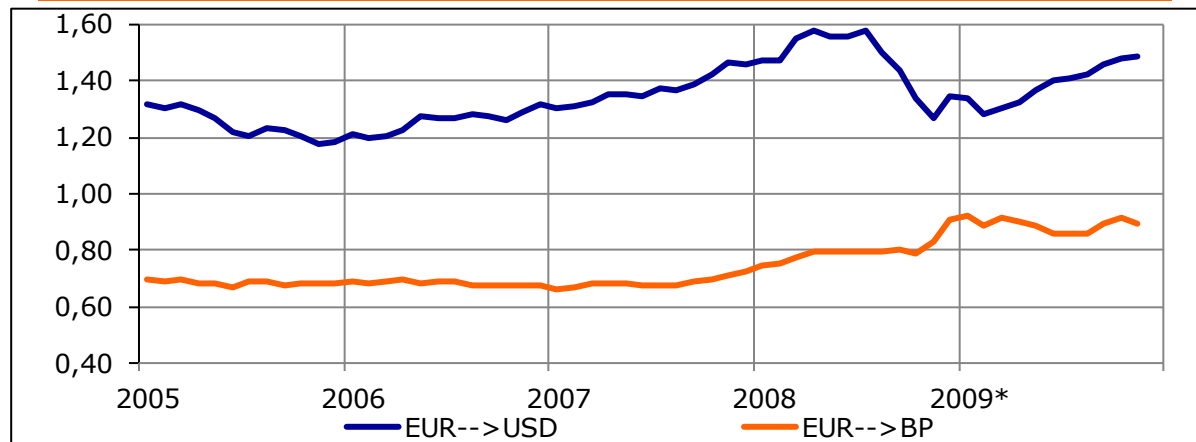
Cost price beef 2006, in USD/kg cwe



Cost price pork 2007, in EUR/kg cwe



Development exchange rate € → \$, € → £



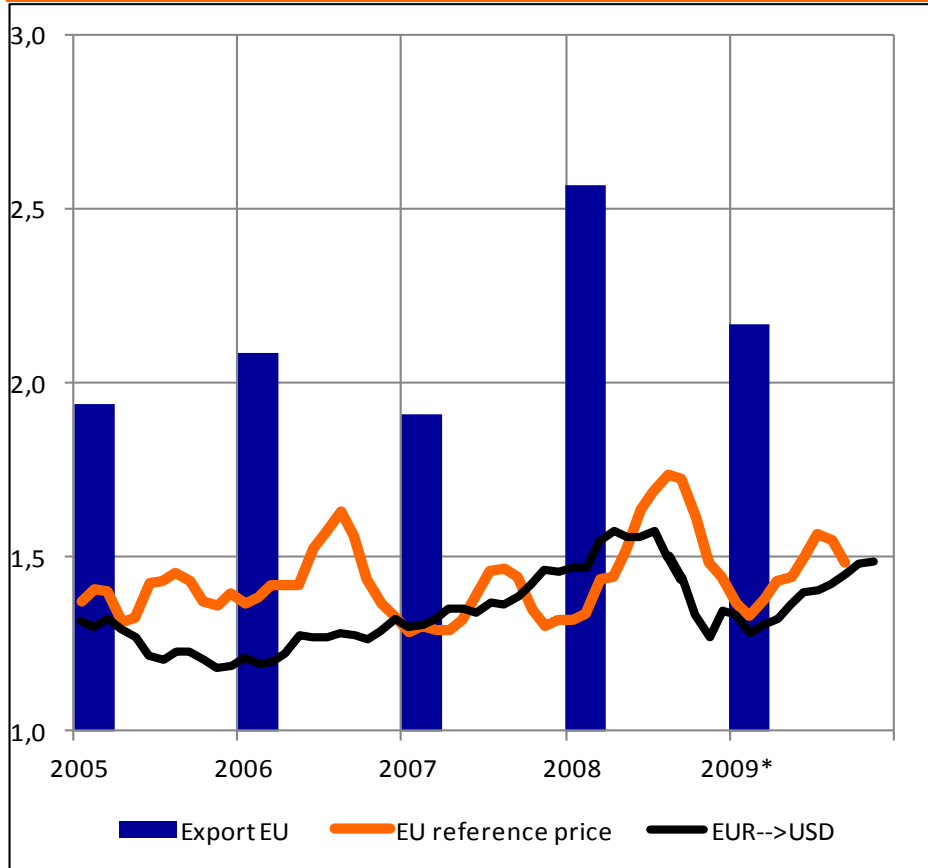
# Competition (2)

Pork: exchange rate key for price development

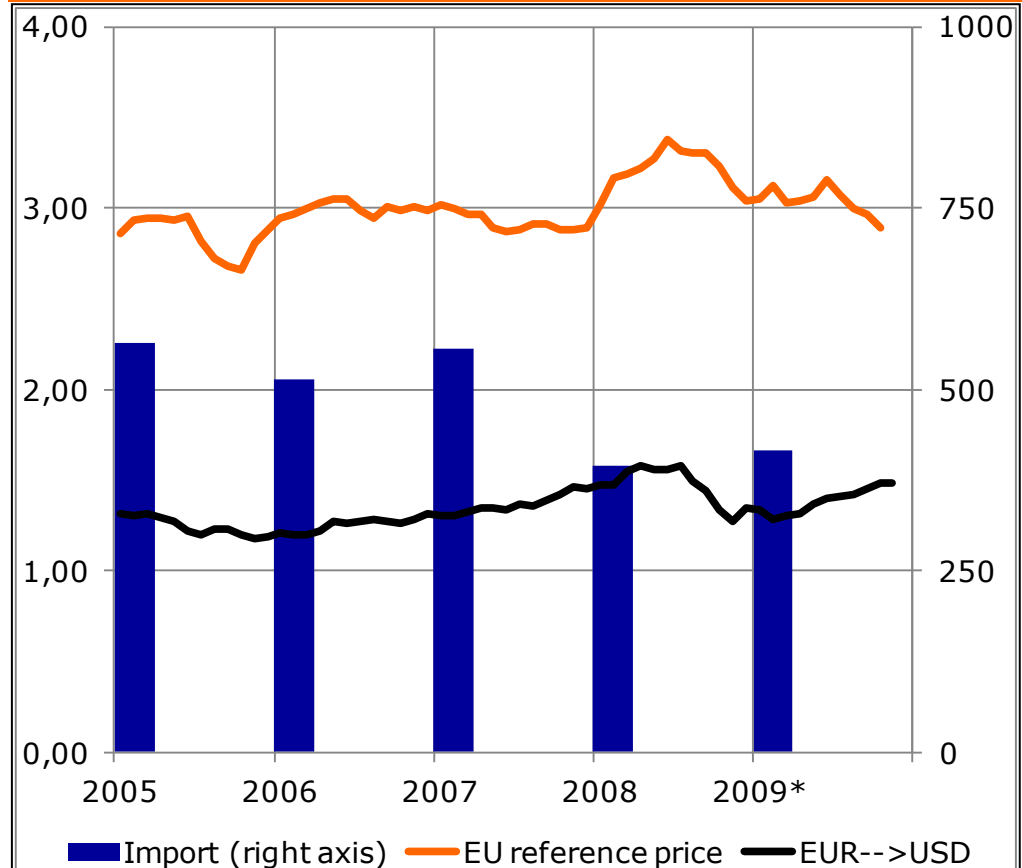
Beef: import key for industry shape



Development EU pork price, export and exchange rate (export in million tonnes; reference price in EUR/kg, EUR→USD in euro)

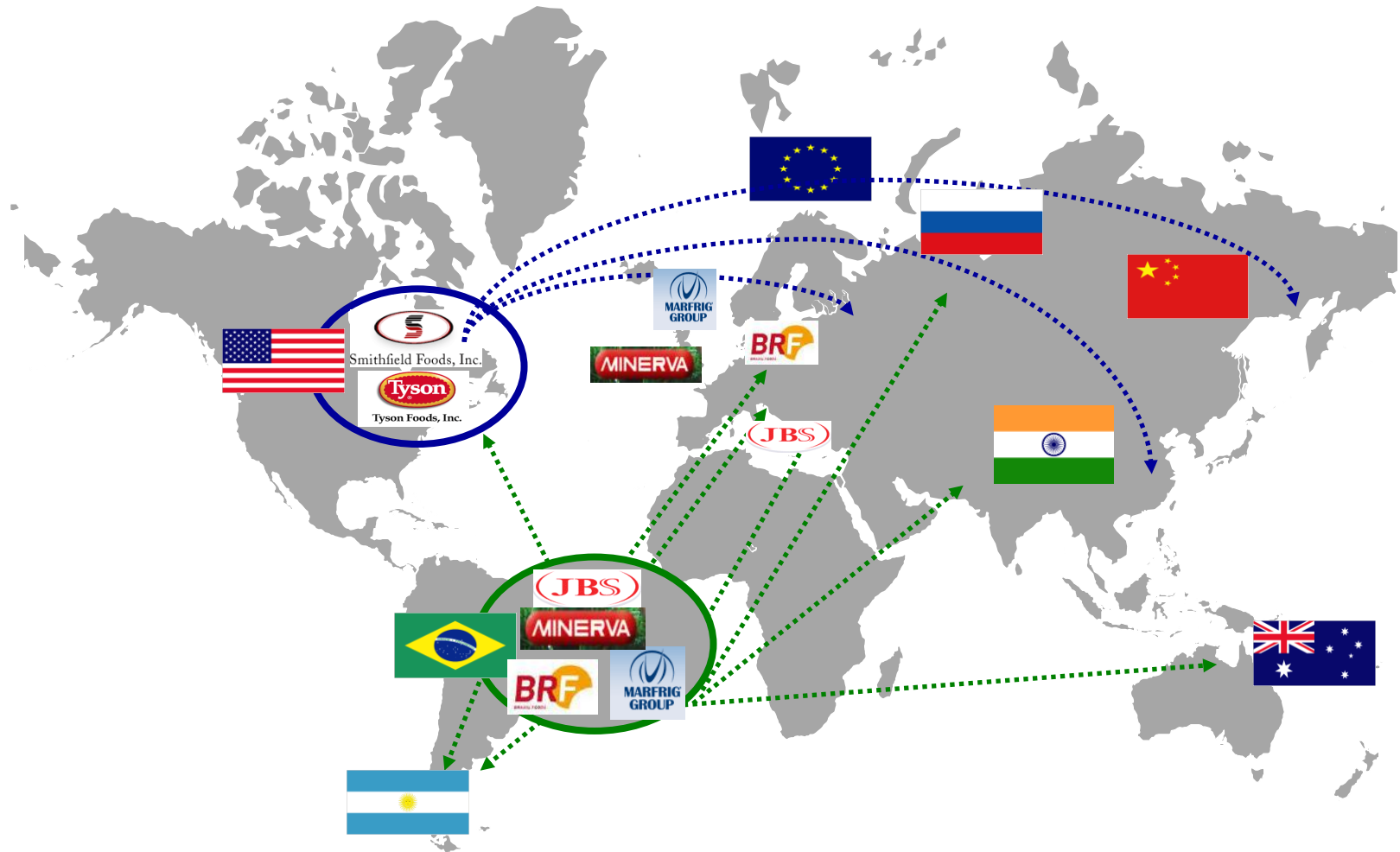


Development EU beef price, import and exchange rate (import in 1,000 tonnes; reference price in EUR/kg, EUR→USD in EURO)



# Competition (3)

What will be the next steps taken by the Brazilian consolidators in the EU?



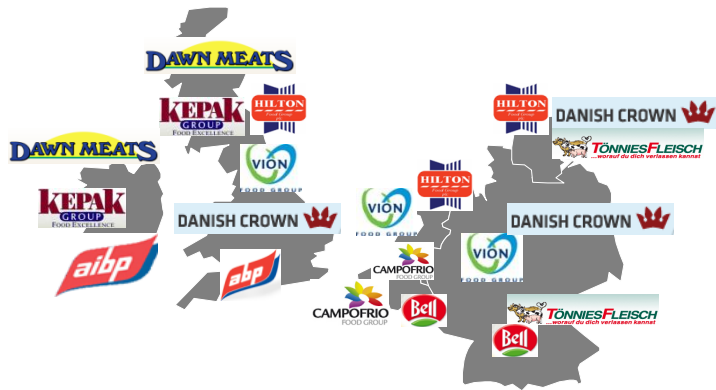
# Competition (4)

The European industry is shifting from national to regional to European

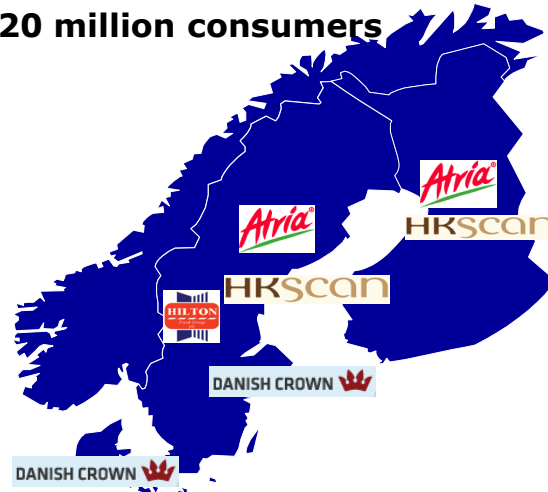


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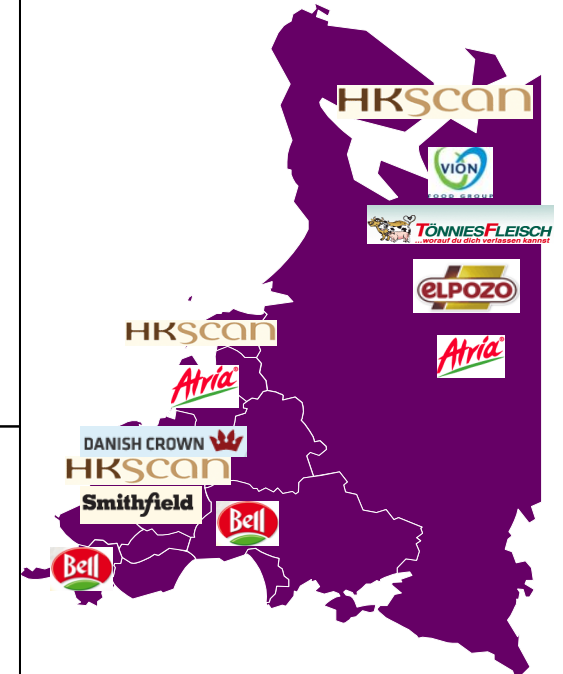
**Northwestern Europe:**  
173 million consumers



**Northern Europe:**  
20 million consumers



**Eastern Europe:**  
85 million consumers



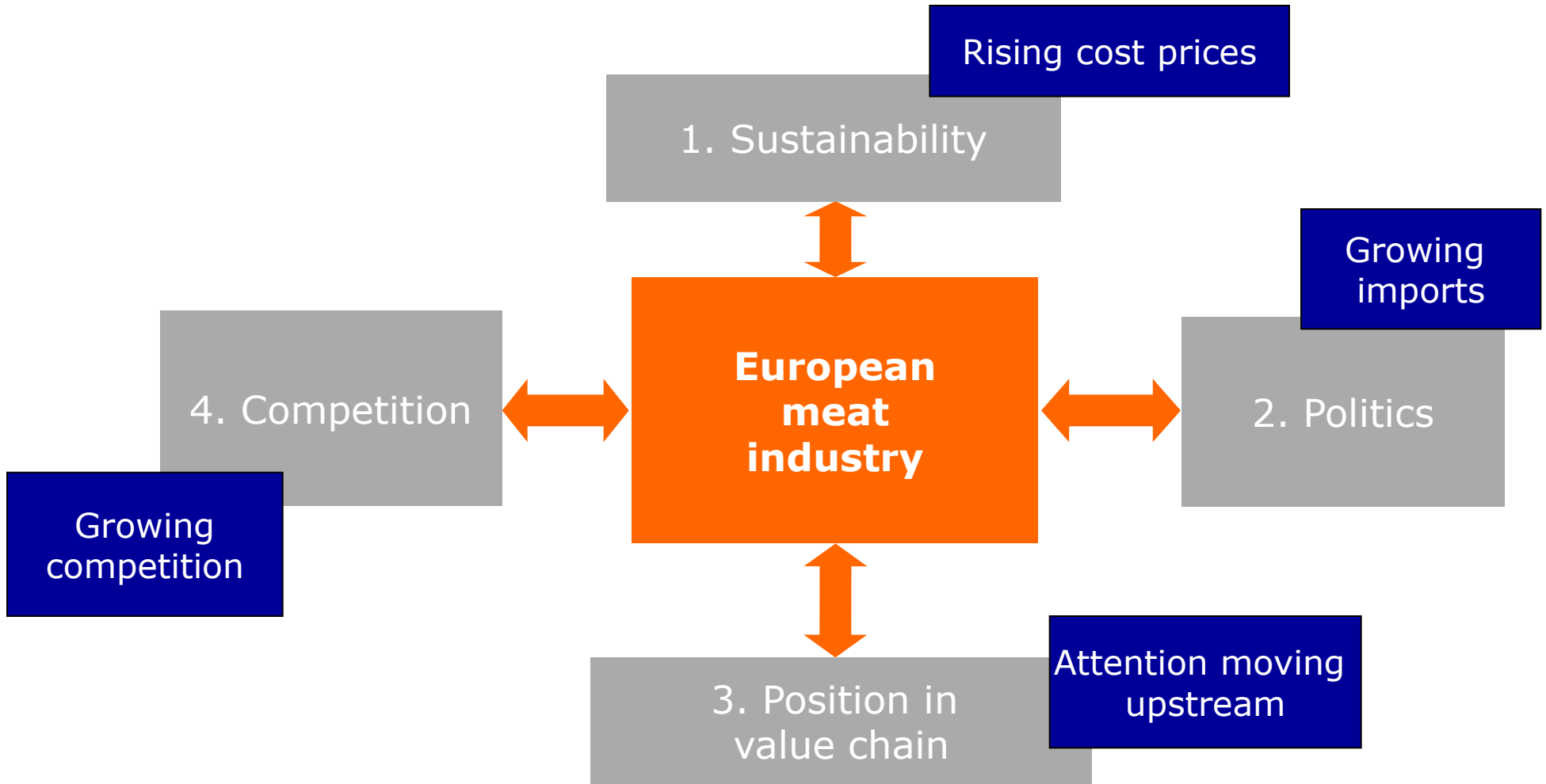
**Southern Europe:**  
171 million consumers



**Southeastern Europe:**  
35 million consumers



# Changing industry landscapes



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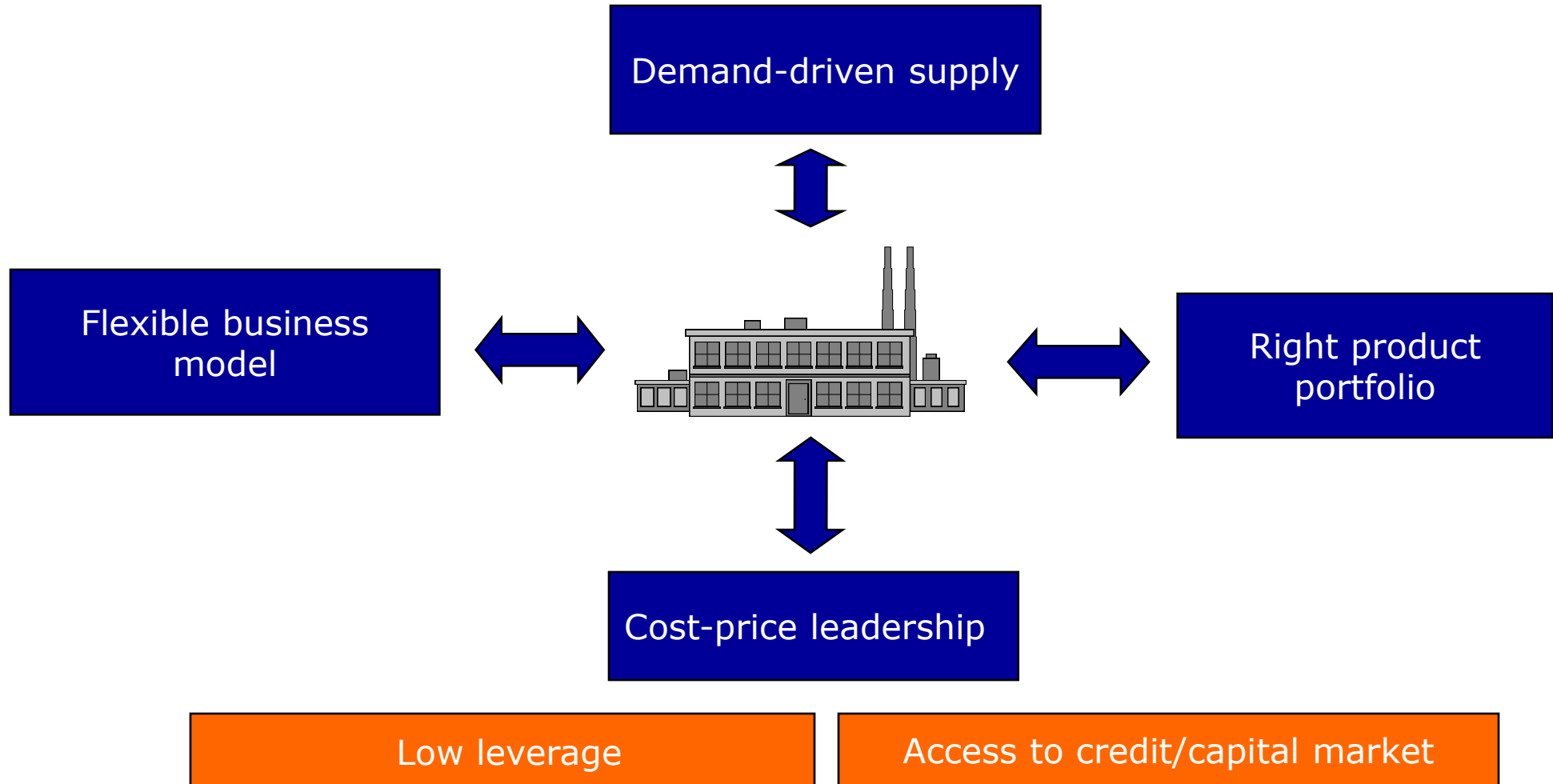
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Changing industry landscapes

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**Implications for the European meat industry**

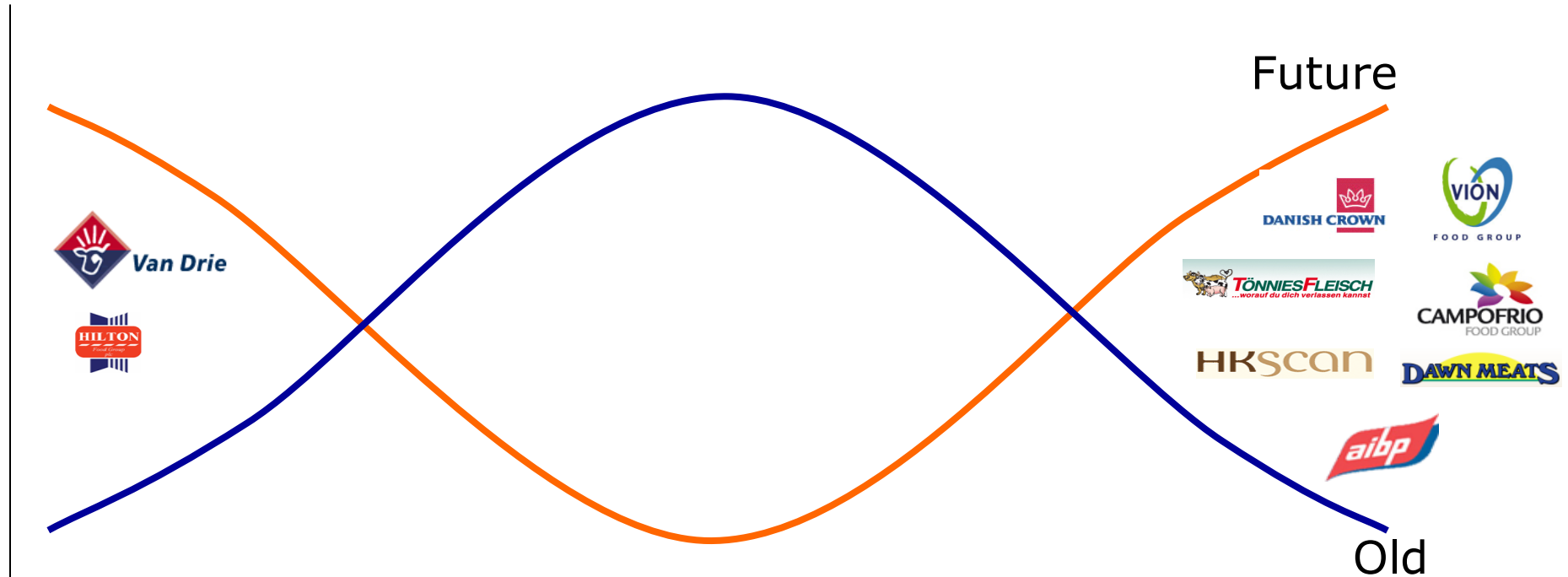
# Companies with 'winning edge' will improve position in times of recovery



# Where will you be in the industry landscape in 2020?



Number of companies



## Niche

- Differences
- Specialisation
- Probably smaller volumes

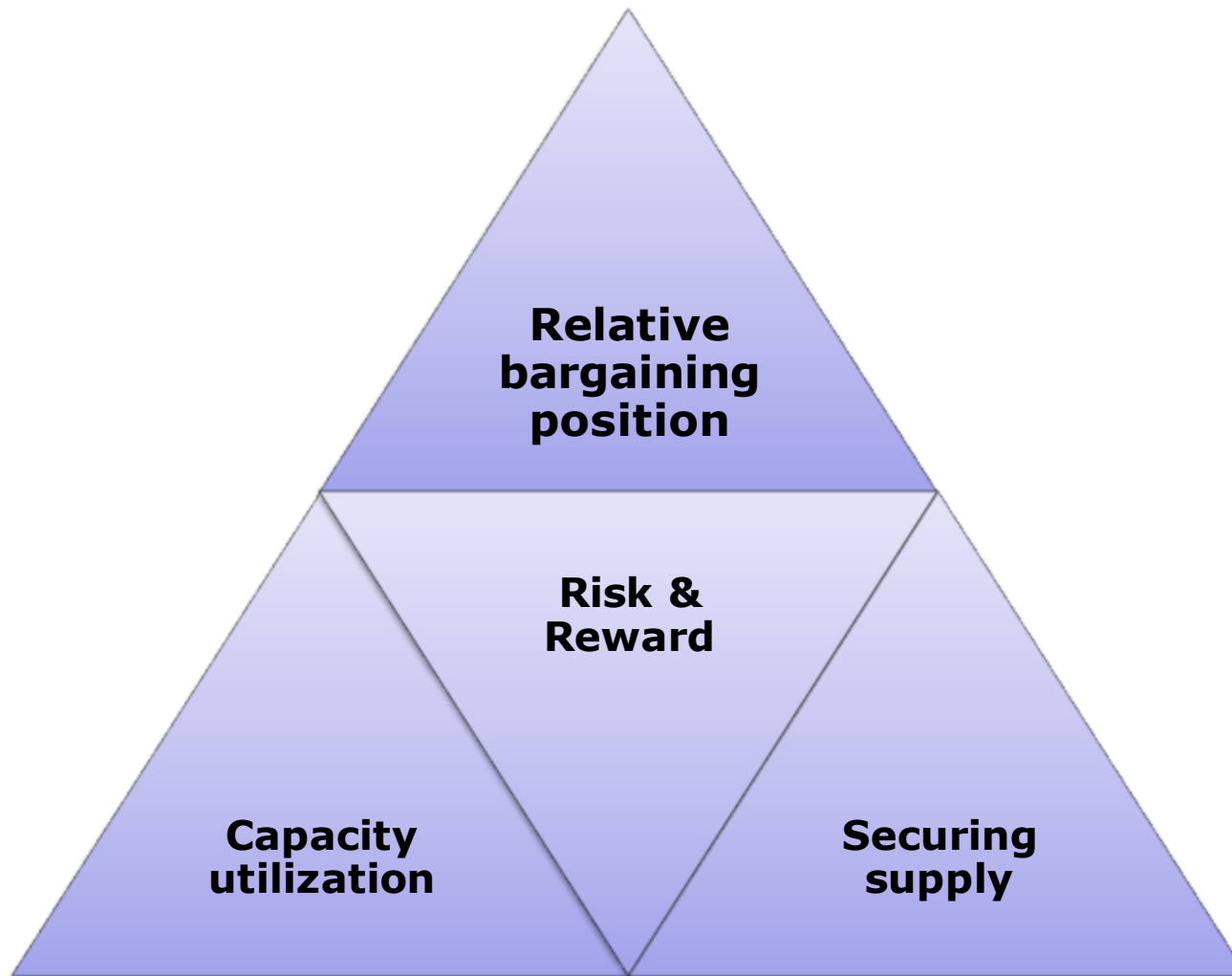
## Commodity

- Basic products
- Large volumes
- International

Source: Rabobank



# Strategic direction driven by relative positioning in local value chain



Thank you for your attention



"The financial link in the  
global food chain"<sup>TM</sup>



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