AUTUMN 2008

MEAT NEWS

Belgian Meat Office

Round table

Family meat companies: an alternative to the big players in the sector?

On 28th August trade journalists from Germany, France, Italy and Belgium came together in Brussels for a round-table meeting with Belgian meat exporting companies. This third session was entitled: "Family meat companies: an alternative to the big players in the sector?" and was a reaction to the current wave of mergers and acquisitions in the meat sector. The two-day meeting started with a guided tour around Q-Group's cutting plant and meat processing department.

Belgium is a major supplier of pork, veal and beef. Because of its central location in Europe, it is logical that Belgian meat suppliers follow closely trends in the international market. Within the European context it is noticeable that total meat consumption is stagnating whilst global trade volumes continue to increase.

Recently we have noticed a wave of mergers and acquisitions in neighbouring countries: VION-Grampian, Bigard-Socopa, Tönnies, JBC-Inalca and Danish Crown are just a few examples of this trend towards ever-larger meat companies. Is this a reaction to the major market players from North and South America or is it the result of concentration on the demand side? Is this the right answer to the challenges? This subject is not only topical in the meat sector but is also very much in evidence in other sectors too. For example, in the fruit and vegetable sector in both the Netherlands and Germany there is a clear trend towards bigger companies. In France there is a similar trend in the poultry meat sector. At the same time Belgium seems to be very quiet in the field of mergers and acquisitions, with most companies still retaining a family structure. This information formed the main topic of the Round Table discussion.

The Q-Group visit was a good example of a typical Belgian family business that has adapted to changing market conditions. Q-Group is comprised of three different departments: Q-beef (production of beef), Q-meat (meat cutting) and Q-food (meat processing), with all three departments driven by one vision. The Q-food department is the youngest but also the fastest growing and provides a response to the rising demand for convenience products and customised solutions. With over 1300 different end products they offer a customised solution for all customers. They have positioned themselves in a niche market with customers within the catering industry, hospitals and schools. They clearly provide additional services and added value for these groups.

The Q-Group perfectly illustrates the uniqueness that typifies many family businesses: there is a high level of involvement and the basic company structure makes it possible to react quickly to specific needs - a customer can get to speak to the decision-maker directly on the telephone and flexibility is closely related to being able to take decisions quickly.

(first line from left to right Paul Coenen 'VLAM Köln', Dieter Heimig 'Lebensmittel Zeitung', Leen Guffens 'VLAM Brüssel', Martina Nober 'VLAM Köln', Kathy Mermuys 'VLAM – Belgian Meat Office', Lorenzo Fiorentini 'Eurocarni', Joris Coenen 'VLAM – Belgian Meat Office', Luc Verspreet 'Covavee', Felicitas Gessner 'Pressebüro Heinen', Marc De Moor 'Jademo', Philippe Van Damme 'Locks', Freddy Dutoit 'VLAM Paris', Thierry Becquériaux 'Les Marchés / Viande Magazine', Behind: Ennio Bonilauri 'FoodMeat', Giuseppe Righi 'FoodMeat', René Maillard 'VLAM – Belgian Meat Office', Anne-Catherine Dessenius 'VLAM Paris', Christina Steinheuer 'Lebensmittel Praxis', Alexander Stark 'Fleischerei Technik / Fleischnet', Katleen Delbeke 'Landbouwleven', Martin Taelman 'Q-Group', Rainer Heck 'Die Fleischerei', Monika Mathes 'Allgemeine Fleischer Zeitung', Michael Jakobi 'Blick', Susanne Fischer 'Fleisch Magazin')

Round table

A few highlights from the fascinating round-table discussion on Thursday 28 August 2008 in Brussels follow below. Belgian Meat Office manager René Maillard who moderated, said afterwards: "I'm impressed by the professionalism and vision of these Belgian managers and company owners. They succeed in making the most of their strengths where the major players are unable to. It perhaps explains why Belgium has been such an important meat producer in Europe for such a long time." "I would also like to thank the foreign trade journalists for their constructive contribution to the debate."

Where do you hope to be in 10 years time?

Martin Taelman (Q-group): 'We want to focus more on retail for the time being, having successfully made a case for the niche markets of hospitals, professional kitchens, schools, ministries etc.'

Johan Heylen (Vanlommel): 'The consolidation in the Belgian veal sector has been finished 15 years ago. Over the next two to five years I expect a new wave of consolidation in our neighbouring countries, in response to the substantial consolidation in the retail sector.
For pre-packed end products specifically, it is clear that the field of activity is limited to about 500 km. After all, the large volume of air in small packaging leads to transport costs that are too high for longer distances. I expect that we will therefore have to evolve to cross-border cooperation and will have to look for regional partners.'

Philippe Van Damme (Locks): 'At present 10 years seems like a long time; after all the market is evolving much faster than in the past. Locks is currently in the middle of the food chain. Over the coming years I expect that we will have to evolve in two directions: both towards supply and towards the consumer. Vis-à-vis the consumer, above all we have to be able to give the product added value. In fact that trend means vertical integration. The future will determine whether we have to do this all ourselves or whether we have to enter into special partnerships to do so.'

Presentations by the companies attending:

Covavee
Luc Verspreet

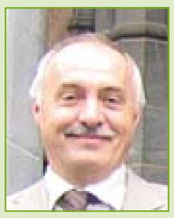
- The only Belgian pork cooperative and therefore one of the most important players in the Belgian market.
- Comprises the following companies:
  - Comeco (Meer) – pork slaughterhouse and cutting plant
  - Covameat (Heuvelland) - pork slaughterhouse and cutting plant
  - Adriaens (Zottegem) – beef and pork slaughterhouse and cutting plant
  - Carniportion (Zottegem) – convenience products
- Covavee exports over half of its production, with Germany as its largest market.
  With regard to the domestic market, Covavee focuses primarily on retail and the food industry

Locks
Philippe Van Damme

- State of the art pork cutting plant which is notable for its extensive automation.
- Primarily focused on exports. Only 10% of production is intended for the domestic market.

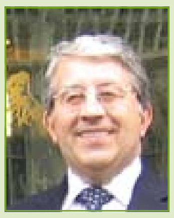
Vanlommel
Johan Heylen

- Integrated family-owned veal producer.
- 65% of turnover comes from exports. In Belgium the emphasis lies in retail.



Q-group
Martin Taelman

- Family business.
- Three independently organised departments: Q-beef (production of beef), Q meat (meat cutting) and Q-food (meat processing).
- Niche market player: focuses solely on the catering industry, hospitals and schools in Belgium.



Jademo
Marc De Moor

- Family business specialising in cutting sow meat.
- Founded in 2003 from the merger of two smaller companies.
- Strong focus on exports.

Round table

Luc Verspreet (Covavee): '10 years is still a long way off. Our mission is to create a sustainable business for producers. We are currently conducting a study to discover how the sector is evolving. We expect our sector to start moving, but believe this will happen more slowly than in neighbouring countries. In Belgium too partnerships will be entered into and mergers will occur. In perhaps as little as five years the landscape will look completely different and new groups will have formed. Who knows, perhaps even Covavee will be part of a larger entity by then. In that way we might be able to let our current market share of 10 to 13% grow to 20 to 25% within 10 years. But growing is not an end in itself for us. Our motto is "growing stronger together" and above all we want to ensure that all parties win - one plus one has to result in three. We are not jealous of the big players at all and always rely on our own strengths. That's why we will never give up our determination to grow!'

Marc De Moor (Jademo): 'Growing bigger in sow meat production is not an option in Europe. After all, Belgian sow meat production is already at its limit. That's why we cannot rule out expansion abroad. On the other hand, our product is not really suitable for convenience, but far more for the production of meat products. Investment in or the acquisition of a meat production plant is one possibility and has always been my dream.'

What future do cooperatives have?

Luc Verspreet (Covavee): 'At present there is only one cooperative in the Belgian meat sector and it is successful. Whilst total production in Belgium is stable, the cooperative continues to grow every year. What is the reason for this development? Producers are asking themselves the same question as we are today at this round table. We might be top of the class as far as production and return are concerned, but without development within the sector we can expect problems in the future. By working together we can become stronger and we think that that is the best way to survive and compete with the major players in the market.'

What's important is that investment resources are also found outside the production cycle for further expansion of the cooperative. After all, producers always need their own resources for their own company. In any case, producers will always remain financially involved, which gives them an extra incentive and fighting spirit to continue to exist.'

Expected trends in Belgium	Future vision
"Until now there have not been any major mergers in Belgium. However, the process has already started here with the disappearance of small companies (although we should never expect a Tönnies-sized dimension here)."	"The aim in itself is not to grow, but it is to remain sharp and alert and to keep offering our domestic and foreign customers the quality and service that we Belgians stand for."
"Belgium is a country of family businesses. The Belgian customer is a spoilt shopper and really wants to be able to choose."	"If everything stays the way it is, our future will be fairly limited. The future lies in further specialisation in a limited number of products and in a number of specific markets."
"Belgium already plays in the Champions League: the veal sector is completely specialised and integrated."	"Vanlommel is strong, flexible and has an excellent knowledge of its products. That's why we don't have to fear the giants. The customers will continue to ask for alternatives if they are satisfied with them."
"Customers don't want the biggest company but the best possible quality and service."	"Tapping into the retail market is a challenge for us."
"In Belgium we are the only sow company. However, at a European level we often have to fight like David against the Goliaths such as Tönnies, Westfleisch and Vion."	"Our customers are primarily meat product factories. Despite the consolidation that has already occurred in that sector there are still a large number of European medium-sized family businesses that want not only our expertise, quality and flexibility but also ask for special cuts for new products. In other words: no pret-à-porter but real customised work that we can offer them as specialists."


The 5 participants of the Round Table discussion.

How is the convenience department developing in Belgium compared to the service counter?

Philippe Van Damme (Locks): 'In Belgium we can clearly see the growth in the share of convenience products. At present this represents 3 to 4% of turnover and we don't expect this trend to stop any time soon. The time where we spend two hours in the kitchen to prepare our meals has gone. In the meantime the importance of the service counter is gradually decreasing, partly because it is becoming too expensive.'

Luc Verspreet (Covavee): 'It is also increasingly difficult to find good butchers for service counters. If a client receives bad service as a result of this it damages the relationship which is based on trust.'

Martin Taelman (Q-group): 'The demand for convenience products is not only in retail. In professional kitchens we can also see a trend towards "assembly kitchens," where meals are compiled from various ready-to-eat products. In this respect Q-food's products fill a gap in the market which amongst others butchers have left. This is also how we support the lack of staff in professional kitchens.'

Luc Verspreet (Covavee): 'Producers are reacting to the convenience trend: we deliver products with added value and therefore help to create enjoyable times.'

What place do organic products have in the Belgian market?

Philippe Van Damme (Locks): 'The Delhaize distribution chain in Belgium has reacted strongly to the organic trend. The niche is still small and is growing very slowly. I do believe in the possibilities of organic, but the problem is that the price of organic products is very high. The average consumer does not want to spend so much money on his food, but prefers to spend his money on holidays for example.'

Johan Heylen (Vanlommel): 'In fact organic is hype that has above all changed the perception of animal welfare. This has had an impact on the rules for traditional agriculture. The problem is that the European countries (where there are now strict regulations) have to compete with countries outside the European Union, where opinions on animal welfare have not changed.'

Philippe Van Damme (Locks): 'Actually our regulations change all the time and an increasing number of requirements are added, so our products achieve a very high level of quality.
In Brazil, for example, there are other requirements in force, so that soon we might not be able to compete any longer.'

Large meat companies can also be very flexible and under pressure from discounters they only take small margins. Should Belgian companies primarily concentrate on their position in the niche markets and therefore stay out of the price war?

Martin Taelman (Q-group): 'With Q-food we are indeed aiming at a niche market of hospitals, schools, ministries etc. As a result of this strategy we can avoid the price war in the retail market. The next step is to work on our brand awareness.'

Philippe Van Damme (Locks): 'We can see a clear difference between Belgian and foreign meat with regard to returns. Sometimes we buy cuts from abroad and it is noticeable that the return on the second cut is far higher in Belgium. This is due to the genetic advantages of the breeds that are farmed in Belgium.'

Luc Verspreet (Covavee): 'The smaller companies are used to fighting. It's in their blood as it were! We are growing slowly and can therefore ensure that we don't lose our strengths, which are: being able to take decisions quickly, offering a personal service and a thorough knowledge of our profession and products. Furthermore, Belgian suppliers offer the cheapest price per kilo for lean high-quality meat. After all, over the past 20 years, investments in quality have been made on various fronts. Returns have always scored highly, but in the mid-1980s it became apparent that far-reaching selection was also leading to genetic problems. That's when we started cross-breeding with stress-negative animals. The result is that we can still offer a very high return combined with top quality.'

'As long as we can play all our aces we can continue to compete. The fact that our approach works is apparent from the fact that Belgian companies are represented in every market. People used to laugh about Belgian meat, but in the meantime we have become Germany's biggest supplier.'

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NEW!

bundles all information about Belgian meat

Belgian Meat Office has given its website a complete makeover. The new site will be able to inform foreign trade contacts even better about the Belgian meat sector. The handy search engine will quickly find you a list of potential suppliers, geared to your specific wishes. What is more, the site contains an extensive database with cuts of meat. It provides photos of the large technical cuts and detail cuts and also shows them schematically on a drawing of a carcass. The news item will be given more attention in future: all the news reports will be neatly bundled on the homepage. And those of you who don't want to miss anything can also subscribe to the digital newsletter. Finally, the agenda provides you with a clear overview of the activities of the Belgian meat suppliers and you can download publications directly.