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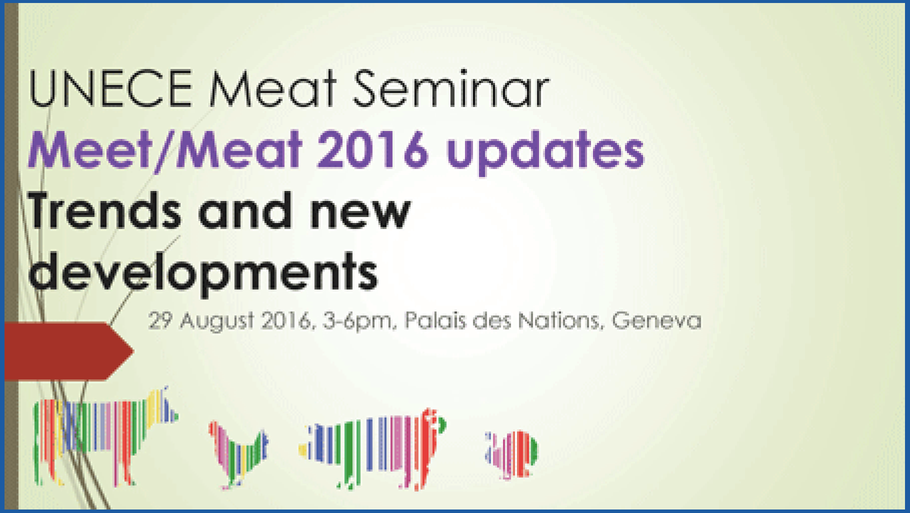

Meat trade – emerging trends

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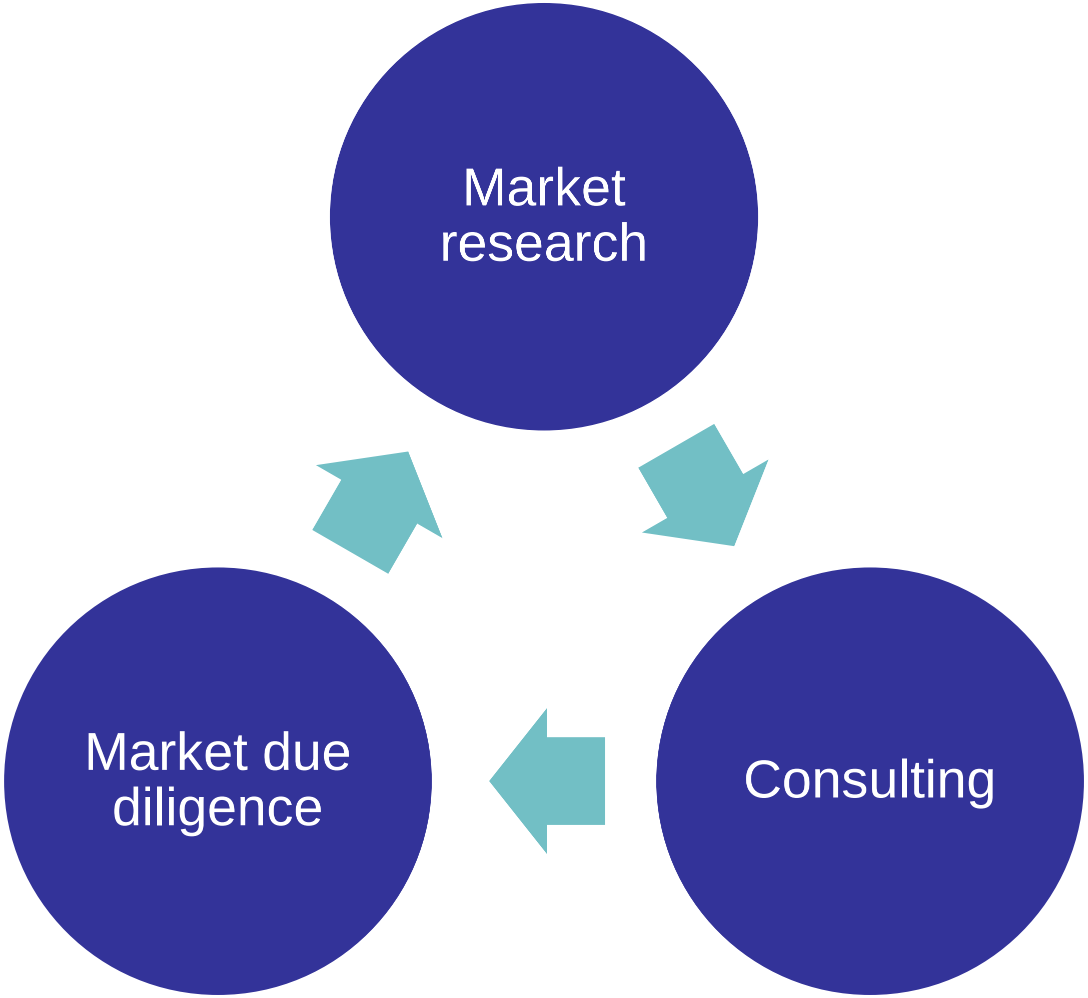
Who is Gira?



- 45 years
- Focused on agribusiness
- Worldwide coverage
- Experts in the 5 continents

What do you Need Gira for?

Off-the-Shelf Studies

Individual Research

Market Due Diligence

Conferences

- Where is your market heading to?
  - Trends & forecasts
  - Gap analyses
  - Market potential
- How to develop your business?
  - Client and supplier searches
  - Competitor benchmarking
  - Branding
- How to develop your company?
  - Internationalisation
  - Search for & evaluation of potential acquisition targets
  - New plant location and supply

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Why Choose Gira?

1. Entire supply chain approach
2. Gira database
3. More than figures: a detailed analysis
4. Systematic quantitative and qualitative forecasting
5. Reactivity and short lead time
6. Access to top agribusiness decision-makers worldwide
7. 3 annual meetings:
   - Gira Dairy Club
   - Gira Meat Club
   - Gira Asian Meat Club
8. Client in-house presentations

World meat market developments

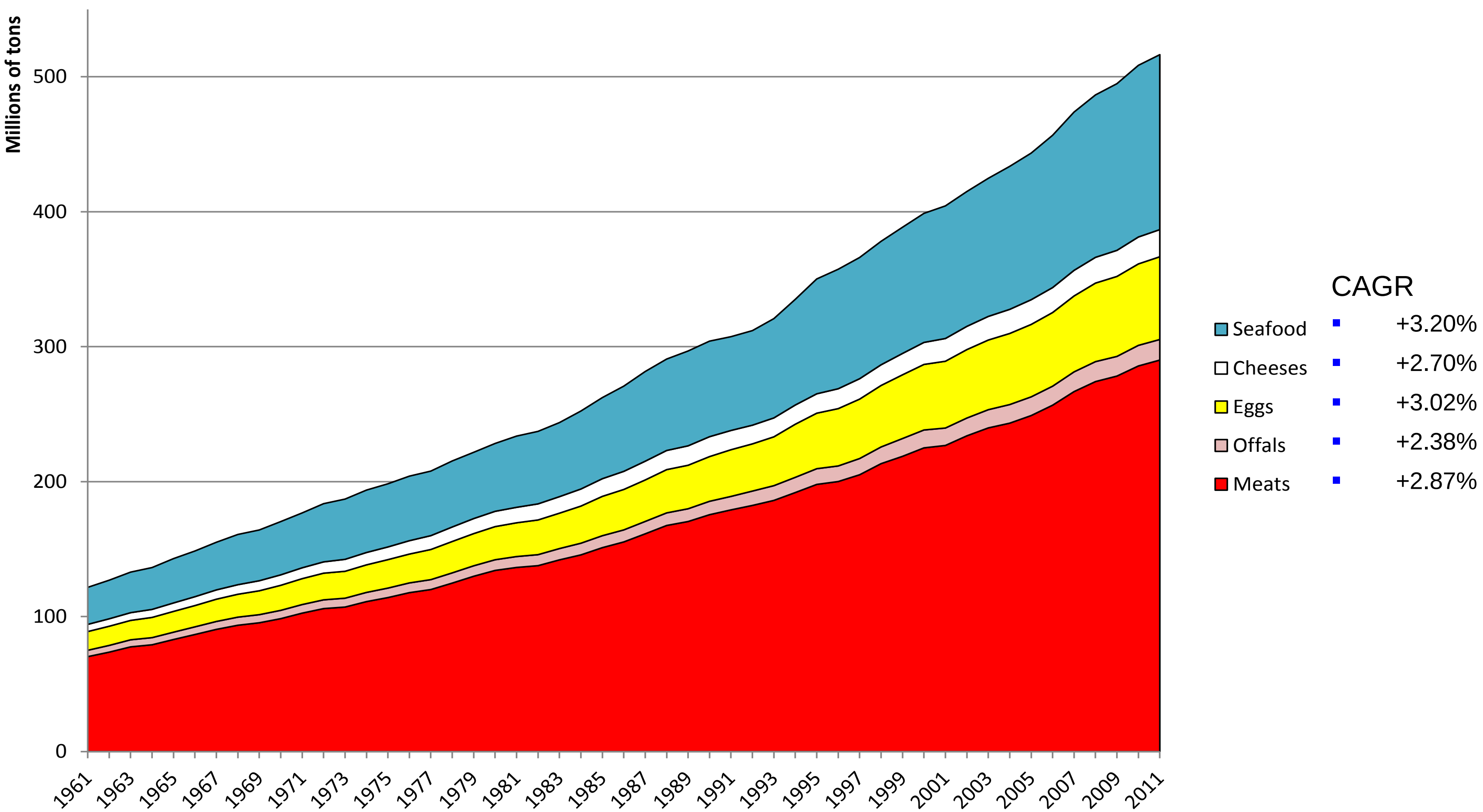
Actors – rising share of Asia

Differentiation – EU situation

World animal-source food consumption

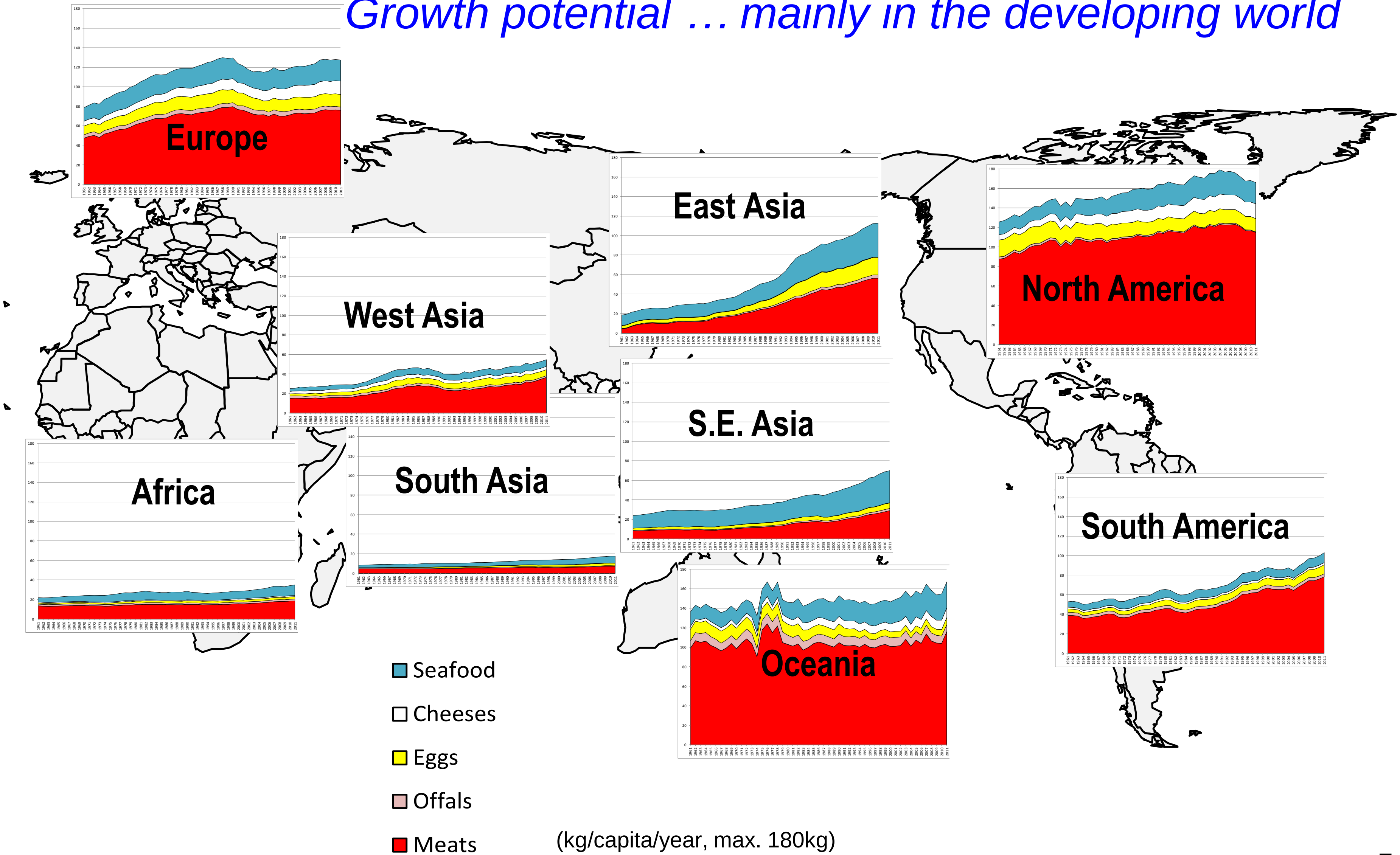
Sharp growth in consumption

World animal-source food consumption
FAO Livestock and Fish Primary Equivalent, 1961-2011



Animal-source food per capita consumption

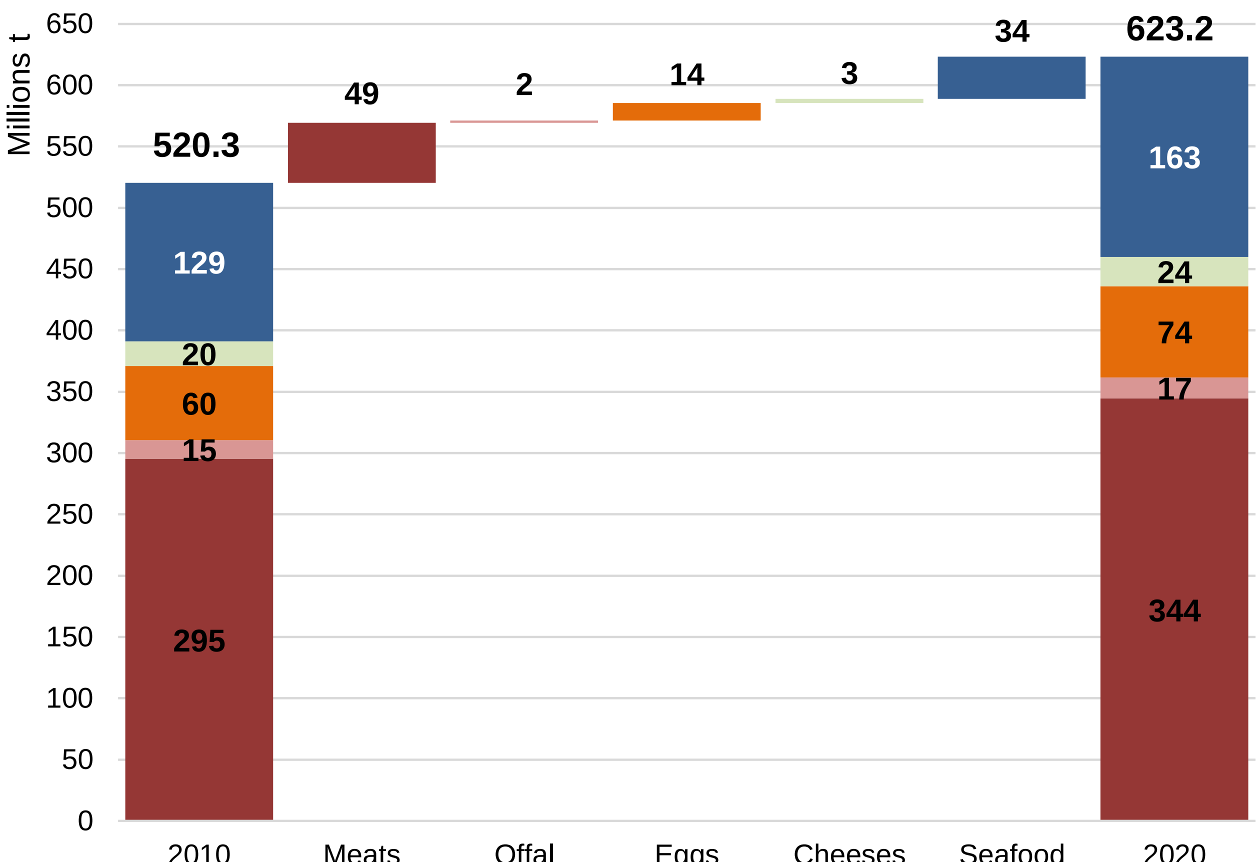
Huge variations in quantities, CAGRs & breakdown
Growth potential … mainly in the developing world



Animal-source food consumption trends

Further decline in meat share

World animal-source food consumption, OECD-FAO, 2010/2020



Source: Gira, based on OECD-FAO

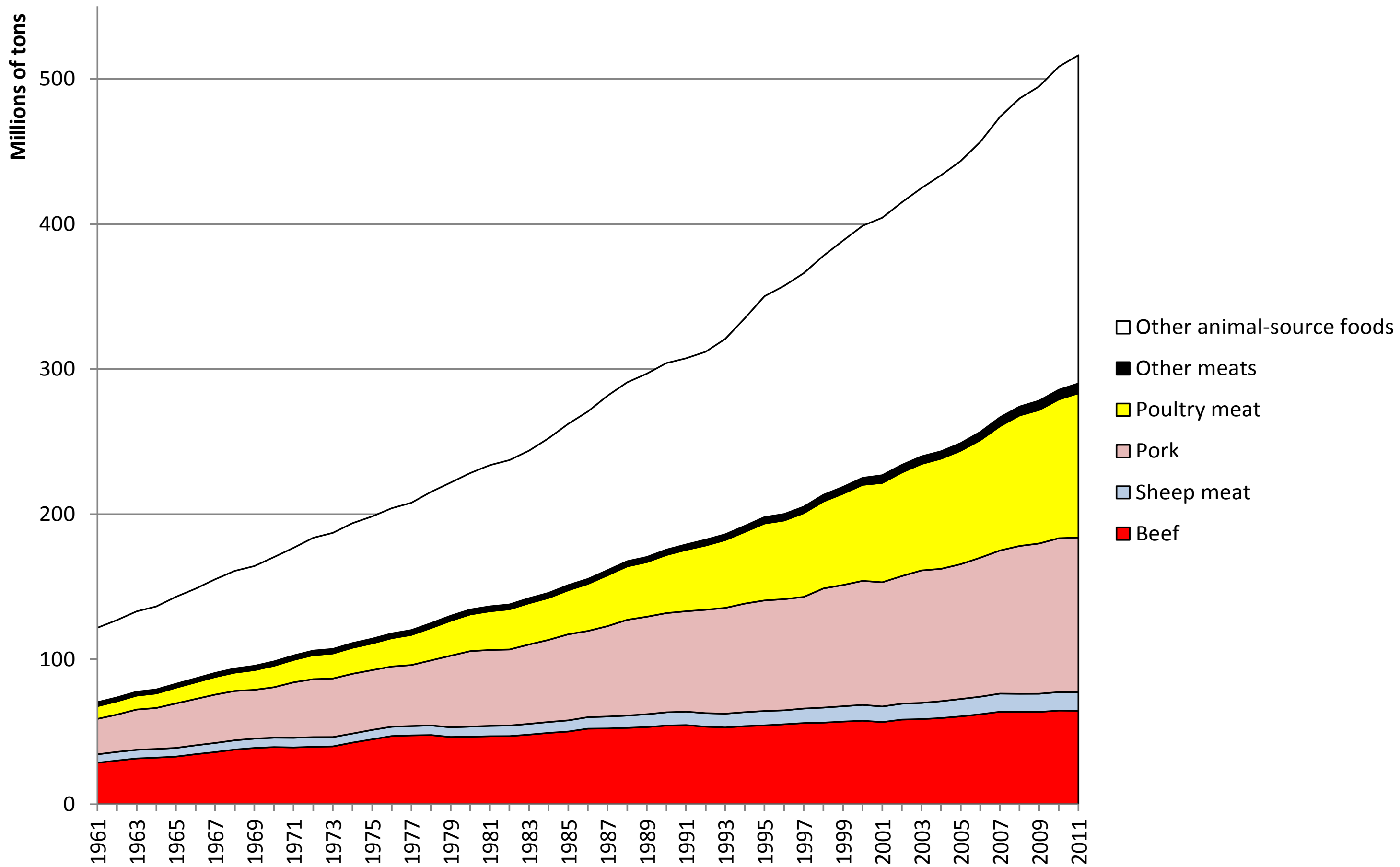
CAGR = +1.8% in total

- Meats: +1.6%
- Offal: +1.3%
- Eggs: +2.1%
- Cheeses: +1.6%
- Seafood: +2.4%

World meat consumption

Growth in poultry meat and pork mainly

World animal-source food consumption
FAO Livestock and Fish Primary Equivalent, 1961-2011

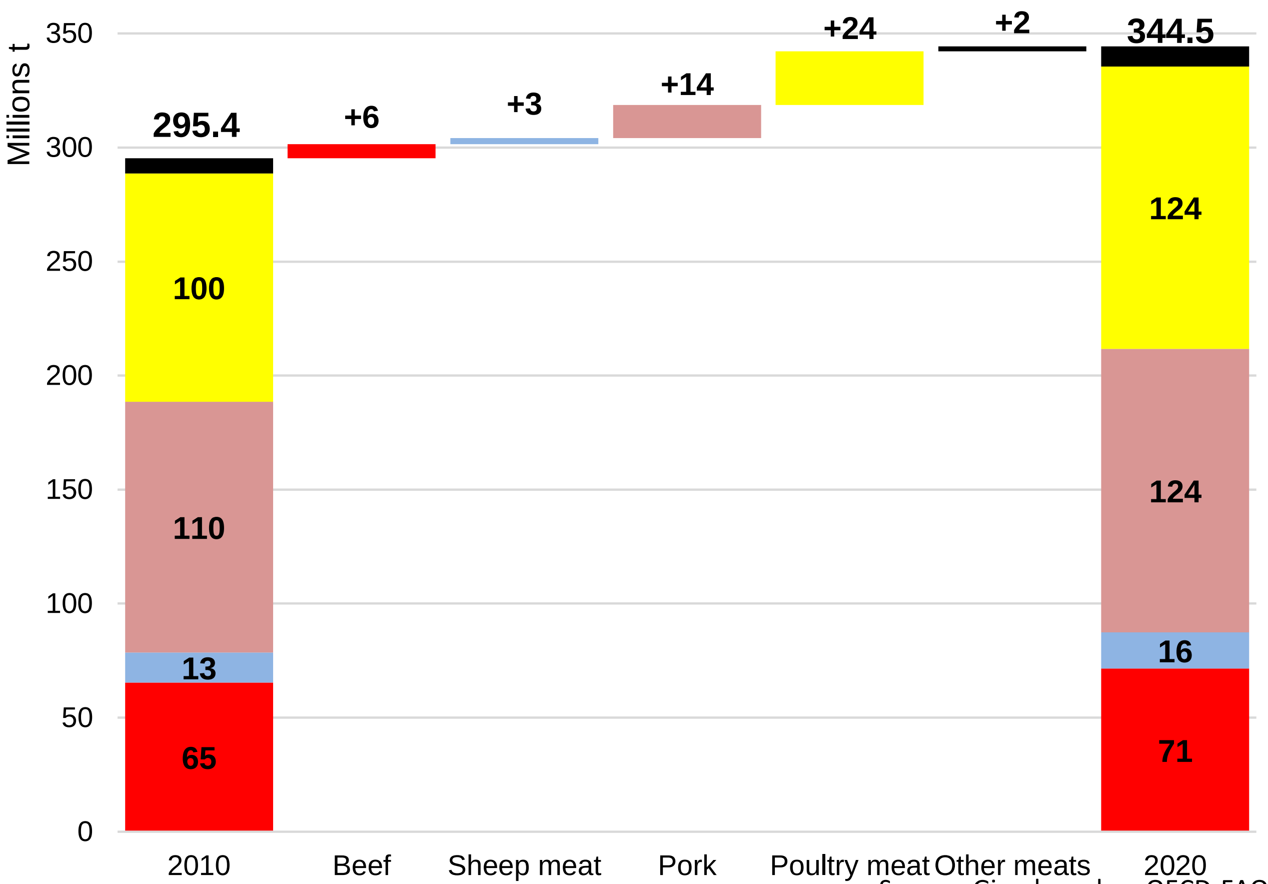


CAGR
- +3.01%
- +1.85%
- +4.98%
- +2.99%
- +1.59%
- +1.64%

Meat consumption trends

Continuous rise in the poultry meat share of the meat basket

World meat consumption, OECD-FAO, 2010/2020



Source: Gira, based on OECD-FAO

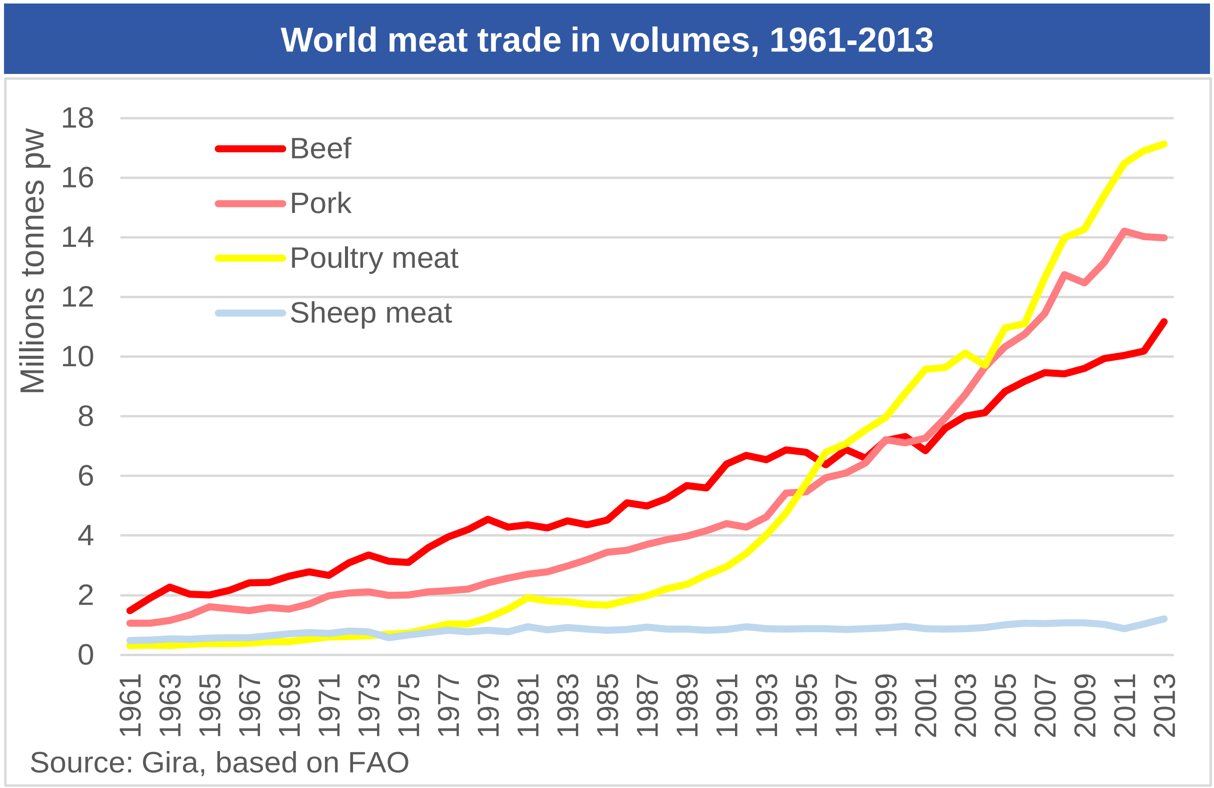
CAGR = +1.6% in total

- Beef: +0.9%
- Sheep meat: +1.9%
- Pork: +1.2%
- Poultry meat: +2.1%
- Others: +3.0%

Long term world meat trade developments

From 3.5 to 44 mio t

Dynamic markets except for sheep meat



CAGR= +5.0% in total

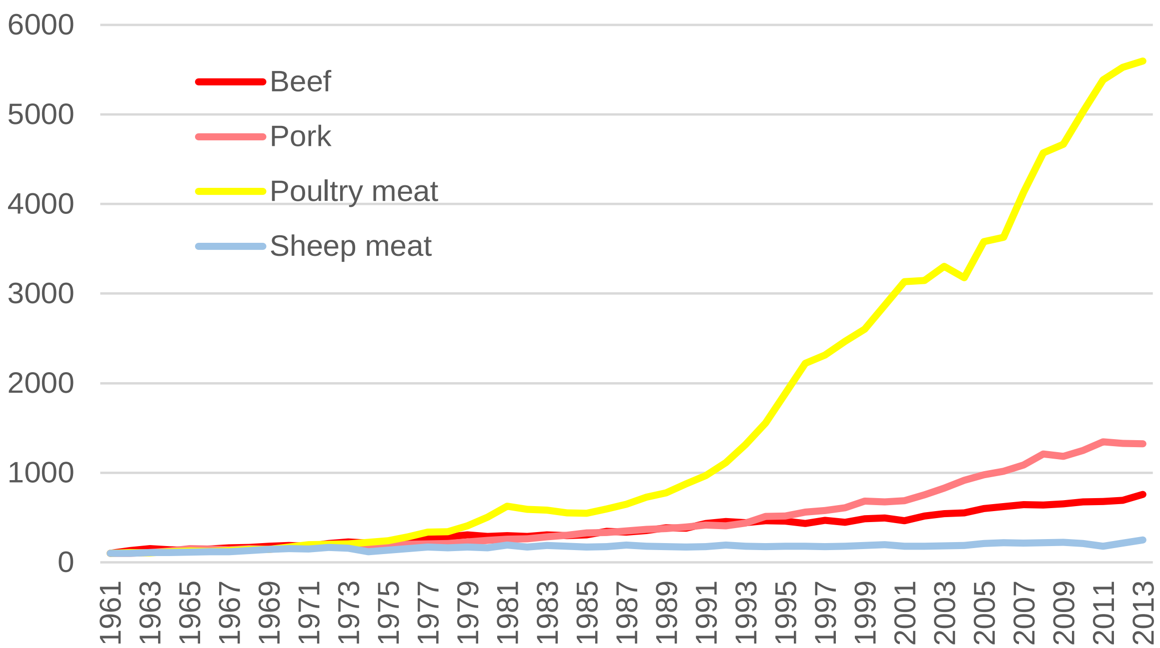
- Beef: +4.0%
- Sheep meat: +1.8%
- Pork: +5.1%
- Poultry meat: +8.0%

- Based on FAO data – exports – includes intra-EU trade
- Sheep = sheep + goat

Long term world meat trade developments

In indices, poultry meat changes dwarf those of other meats

World meat trade indices, 1961-2013 (vol., 1961=100)

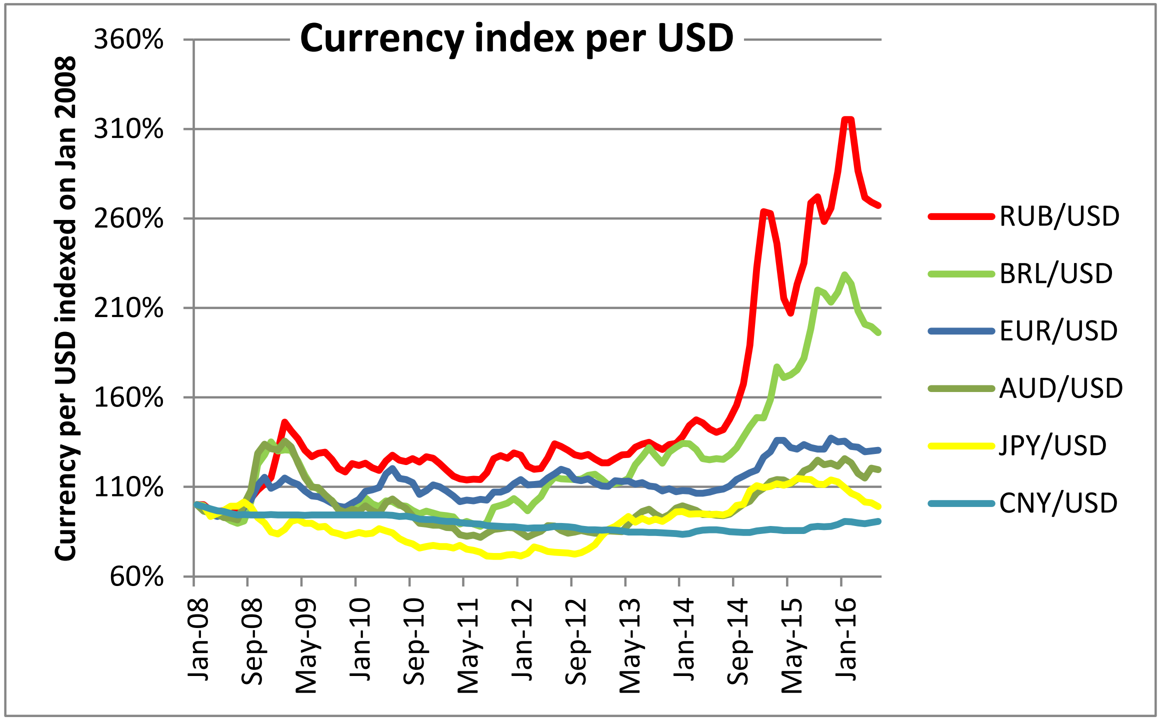


Source: Gira, based on FAO

2015-2016: global meat market context

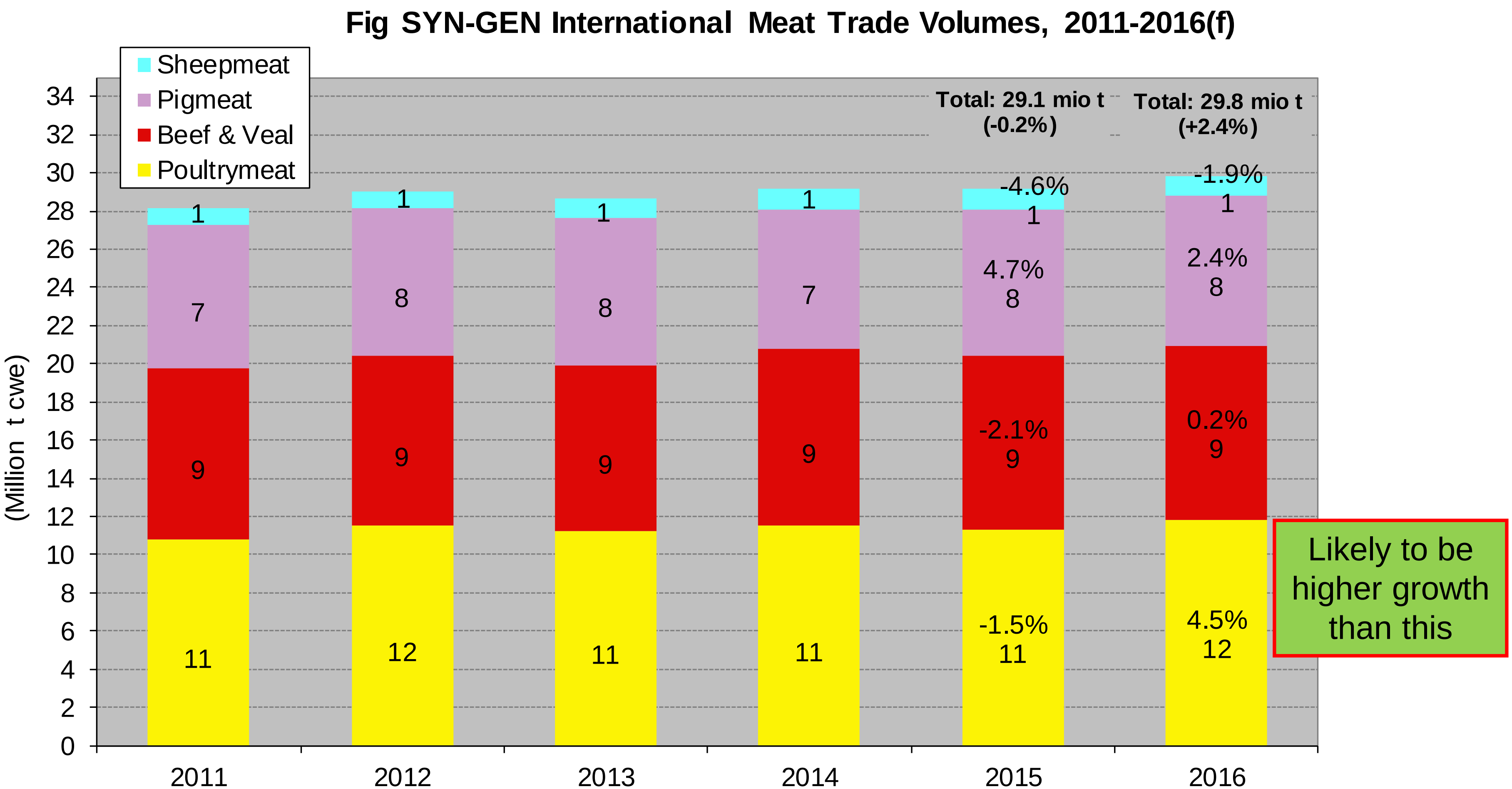
2015 was a year of dramatic currency change with sharply strengthening USD

- Changing domestic meat demand characteristics and apparent international competitiveness



World meat trade volumes – Dec 15 forecasts

2015: slight decrease (except Pk)… with US challenges
2016: positive trade growth (except for Sh) – especially Py



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World meat market developments

Actors – rising share of Asia

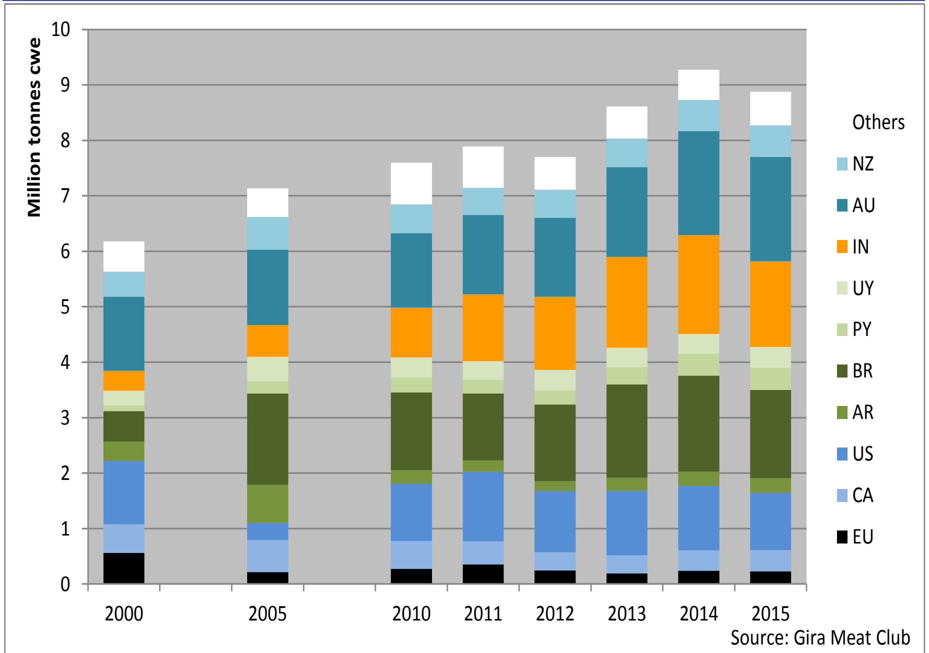
Differentiation – EU situation

World beef trade – GMC data

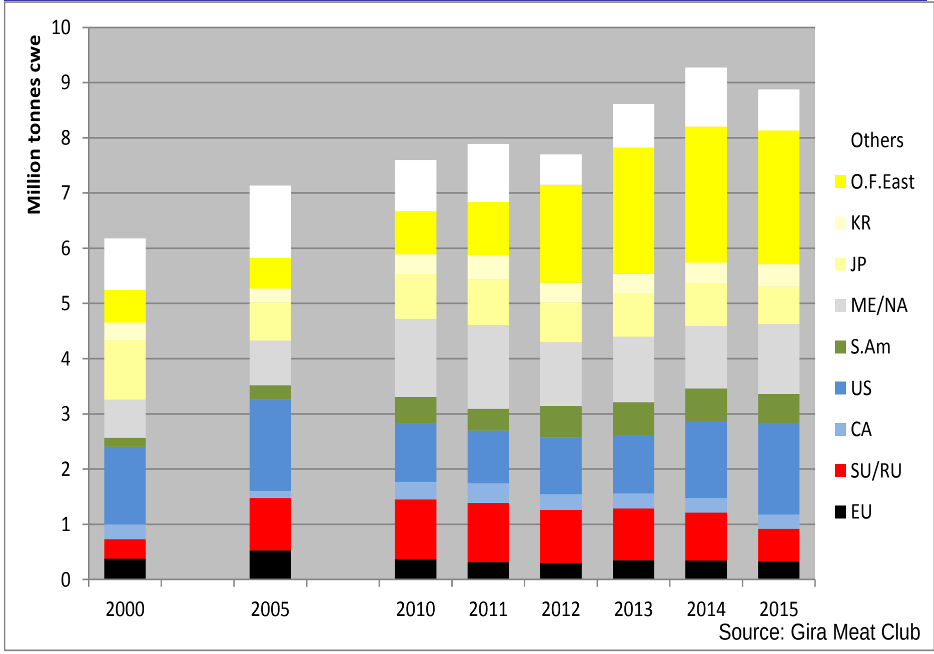
Asia doubled its share of world imports in 10 years

- + 9 mio tcwe, c15% of world production
- Growing: CAGR +2.4% from 2000 to 2015
- Asia share:
    - Exports: from 9% in 2005 to 22% in 2015 (IN mainly, but also HK to CN)
    - Imports: from 22% in 2005 to 42% in 2015
    - 6 countries importing > 0.1 mio t each (CN – direct and grey through VN/HK, but also JP, KR & MY)

World beef exporters, 2000-2015



World beef importers, 2000-2015



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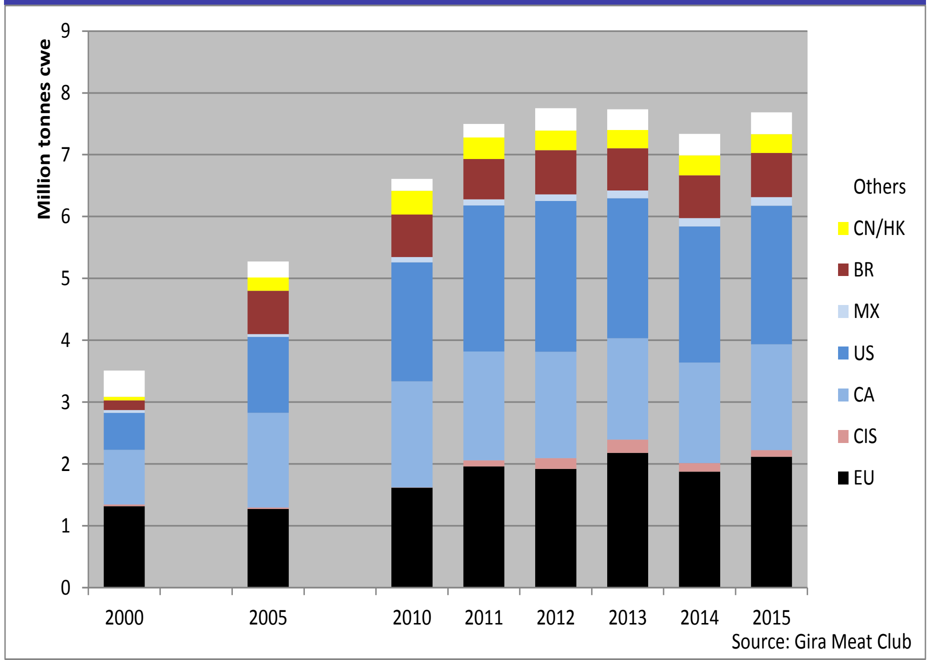
World pork trade – GMC data

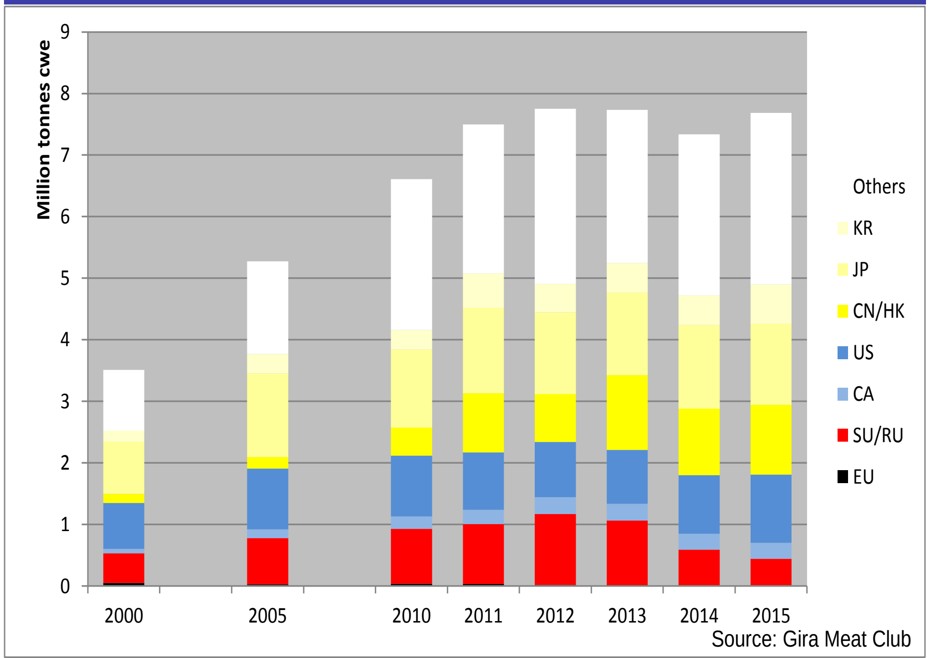
Asia concentrating more than 50% of world imports

- + 8 mio tcwe, c6% of world prodution
- Sharp growth in the 2000s, slower now: CAGR +5.4% since 2000
- Asia share:
  - Exports: from 7% in 2005 to 3% in 2015 (no Asian country exports > 0.1 mio t)
  - Imports: from 46% in 2005 to 53% in 2015
  - 4 countries importing > 0.1 mio t each (JP, CN, KR & HK)

World pork exporters, 2000-2015



World pork importers, 2000-2015

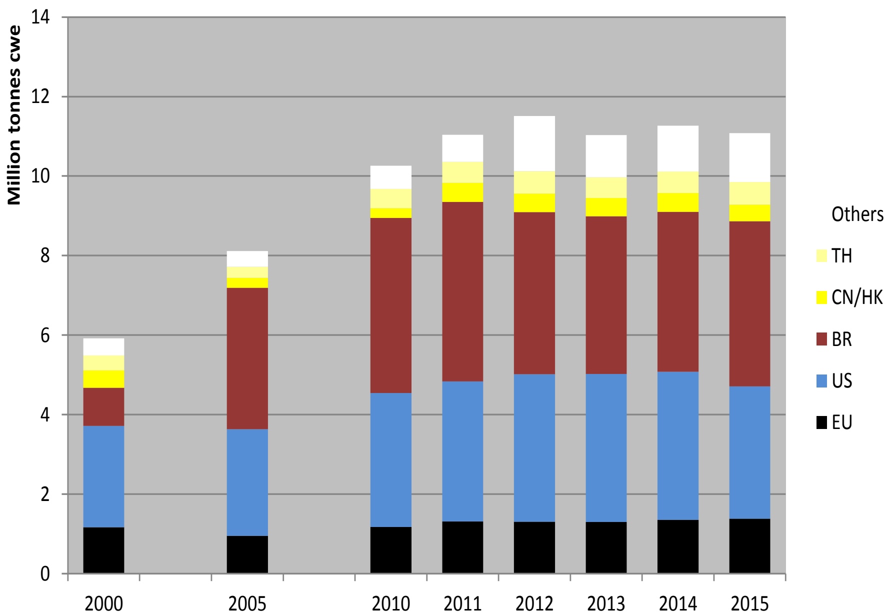


World poultry meat trade – GMC data

The least concentrated import market
38 countries > 0.1 mio t – Asia = ± ¼ of the total

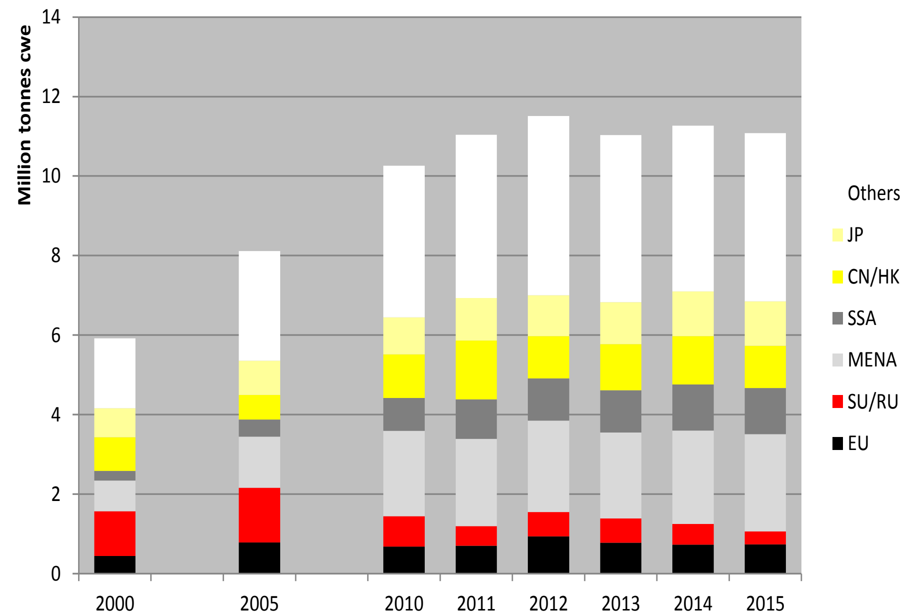
- ± 11 mio tcwe, c15% of world production
- Growing trade (despite some recent setback): CAGR +4.3%
- Asia share:
  - Exports: from 5% in 2005 to 10% in 2015 (HK, CN and TH > 0.1 mio t)
  - Imports: from 24% in 2005 to 28% in 2015
  - 8 countries importing > 0.1 mio t each (HK, VN & JP > 0.5 mio t, + CN, TW, PH, SG & KR)

World poultrymeat exporters, 2000-2015



Source: Gira Meat Club

World poultrymeat importers, 2000-2015

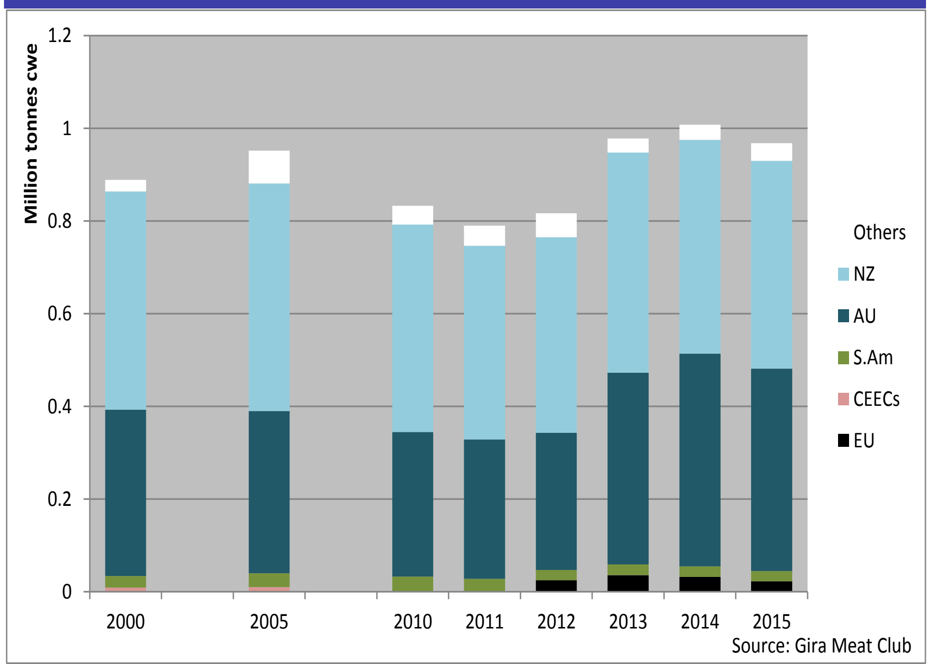


Source: Gira Meat Club

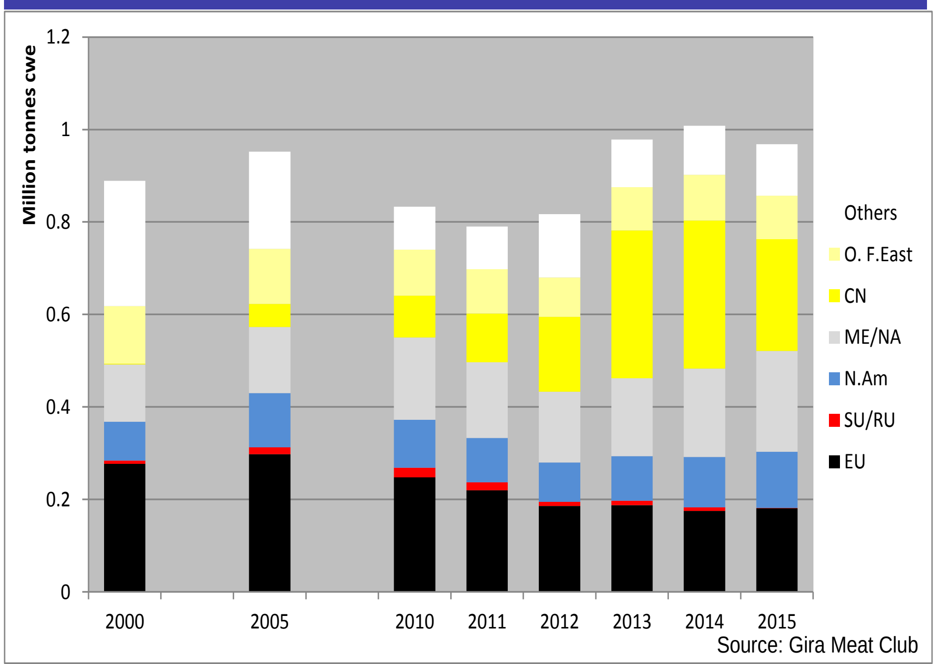
World sheep meat trade – GMC data

- ± 1 mio tcwe, c8% of world production
- Flat market: CAGR +0.6%, supply is the limiting factor
- Asia share:
  - Exports: from 5% in 2005 to 4% in 2015 (IN & PK > 10,000 t)
  - Imports: from 17% in 2005 to 35% in 2015
  - 5 countries importing > 10,000 t each (CN > 0.1 mio t, + MY, TW, JP, SG between 10 & 50,000 t)

World sheepmeat exporters, 2000-2015



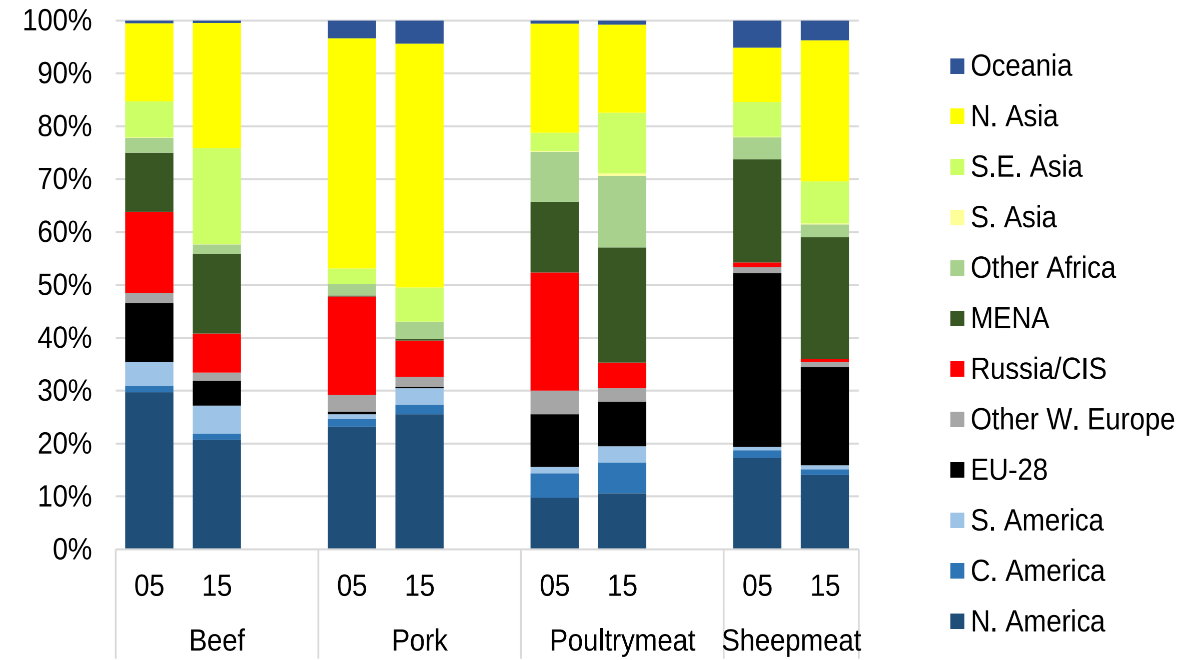
World sheepmeat importers, 2000-2015



World meat importers

Rising Asian imports and share of the total

World meat importers/region, 2005/2015



Source: Gira, based on Trademap

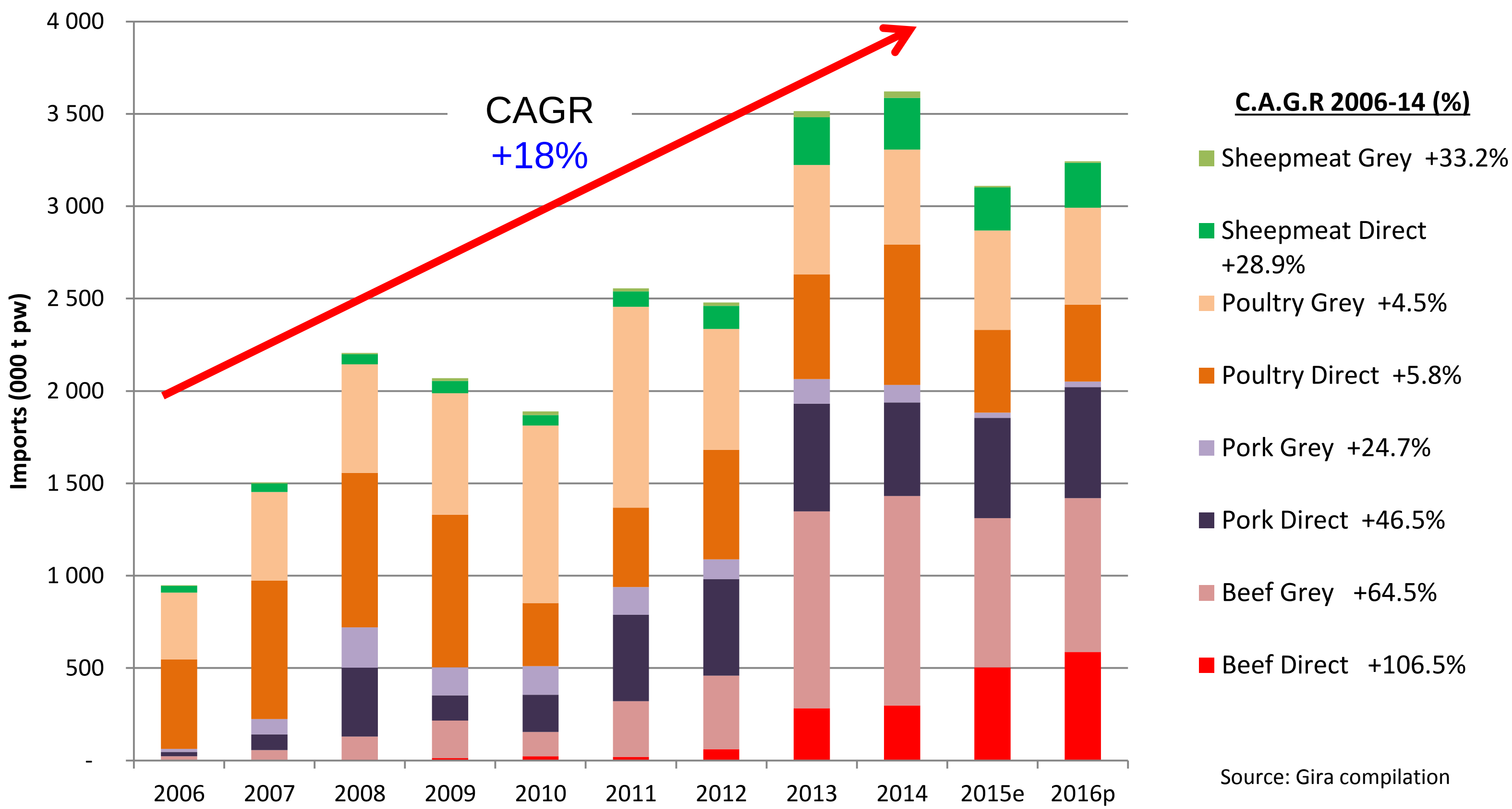
Asia 2015 imports

- Beef: 2.8 mio t
  05-15 CAGR +10.5%
- Pork: 2.6 mio t
  05-15 CAGR +5.7%
- Poultry meat 3.2 mio t
  05-15 CAGR +6.8%
- Sheep meat 0.3 mio t
  05-15 CAGR +9.3%
- Offal 2.3 mio t
  05-15 CAGR +13.5%

- CN by far the major player – though not alone

GMC15: Total CN imports: Direct + Grey Channels

Huge variation in importance of grey channel between species



Source: Gira compilation

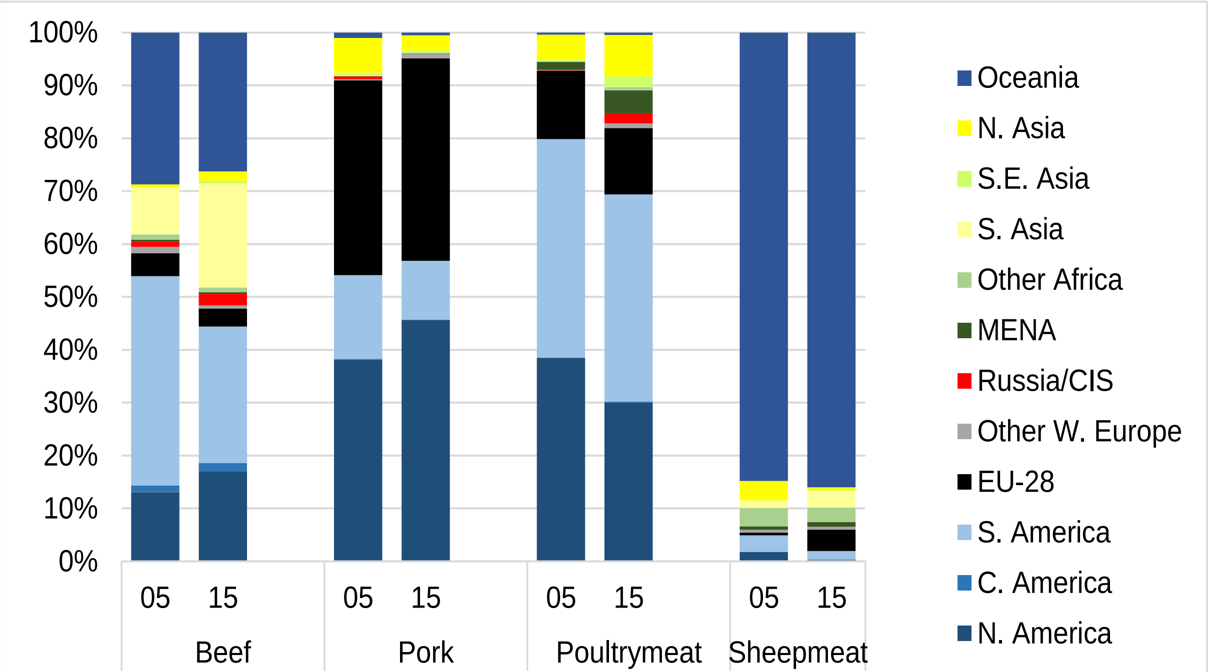
Figures do not include offal… which has higher grey channel shipments.

1H16 CN imports are running at higher levels than was forecast at GMC15

World meat exporters

Asia Exports Bf and Py

World meat exporters/region, 2005/2015



Source: Gira, based on Trademap

Asia 2015 exports

- Beef: 1,5 mio t
  05-15 CAGR +13.3%
- Pork: 0.2 mio t
  05-15 CAGR -5.3%
- Poultry meat 1.1 mio t
  05-15 CAGR +11.2%
- Sheep meat 0.04 mio t
  05-15 CAGR -1.1%
- Offal 0.5 mio t
  05-15 CAGR +16.6%

- IN the major player (Bf) + CN and TH (Py)
- HK mostly reexports to CN (Bf, Pk, Py)

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World meat market developments

Actors – rising share of Asia

Differentiation – EU situation

Development of certifications

Initially focused on sanitary guarantees

- A tool to show FBOs are doing what is needed to:
  - Provide safe foods
  - Meet their responsibilities

- Independent certifying body increases credibility
  - Perceived by the consumer to be more solid and trustworthy than brands

- BRC Global Standards' and International Featured Standards (IFS) based on
  - ISO 9001 (quality control and assurance)
  - Good Manufacturing Principles (cleaning & disinfection, pest control, maintenance, training)
  - HACCP (Hazard Analysis Critical Control Point) principles

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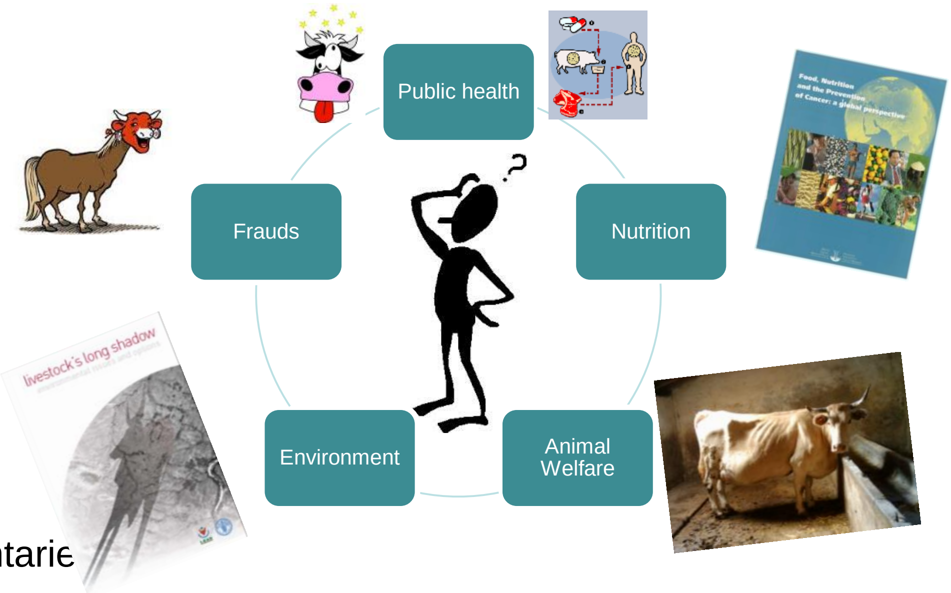
Consumer questioning

Continued suspicions about meat
In a context of much anti-meat communication

- Anti-meat lobbying is not a new issue
- But it is gaining strength due to:
  - New arguments
    - Nutritional risks
    - Public health fears (incl. AB)
    - Animal welfare
    - Environmental protection
    - Frauds scandals
    - What next?
  - Modern communication
    - More books, publications, documentarie
    - Social networking
    - Camera developments
    - Dissemination of revolting images of cruelty to animals
  - High profile people taking side
  - Shoppers unconsciously looking for a justification to reduce their purchases due to economic difficulties



A saturated market

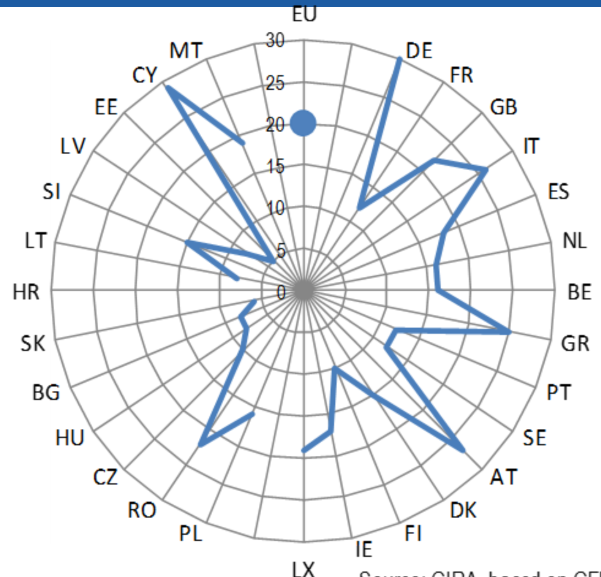
More food options and less needs
With the added impact of the economic crisis

- Shoppers overwhelmed by a variety of options
  - And store owners have to make a preselection, deciding which products to put on the shelves

- Raw meat purchase no more a daily must:
  - Reduced energy needs
  - Development of further processed meat products, with higher convenience content
  - Widespread availability of other animal proteins
  - Development of meat substitutes – often with taken names from the butchery vocabulary

- Economic crisis
  - Meat remains an expensive item
  - Reduction of consumer spend
    - Reduce meat quantities:
      less on each purchase occasion
      or less frequently
    - Switch to cheaper products:
      species (Bf → Pk or Py)
      or cuts (fillet → minced)

% of shoppers "satisfied with the price of meat", 2011

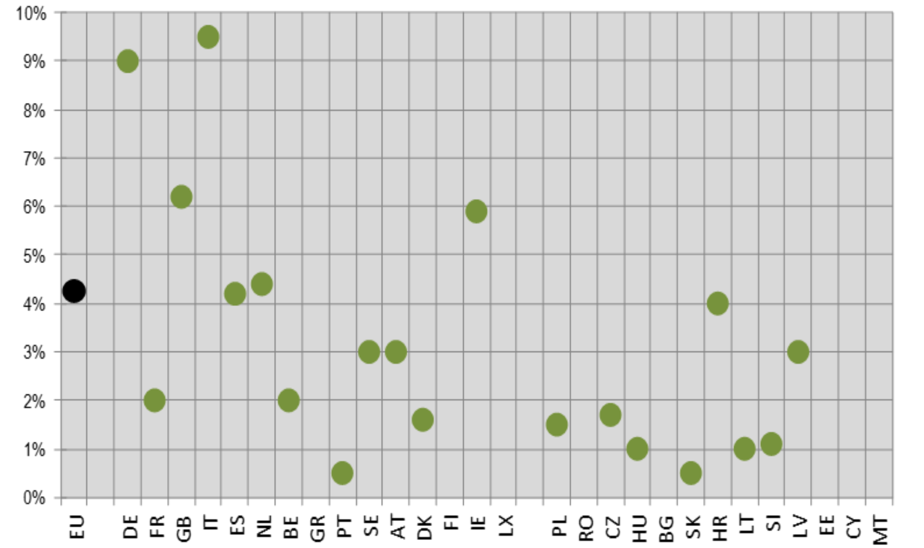


Source: GIRA, based on GFK

Vegans – Vegetalians – Vegetarians and Flexitarians...

- 4-5% vegetarians in the EU
  - Estimates only given a lack of hard data
- Developing
  - Great increase in number of products in modern retail and catering
  - Multiplication of specialised retailers and restaurants
- Flexitarianism likely a more serious threat

% of vegetarians in the EU, 2014



Source: GIRA compilations, based on European Vegetarian Union and other sources

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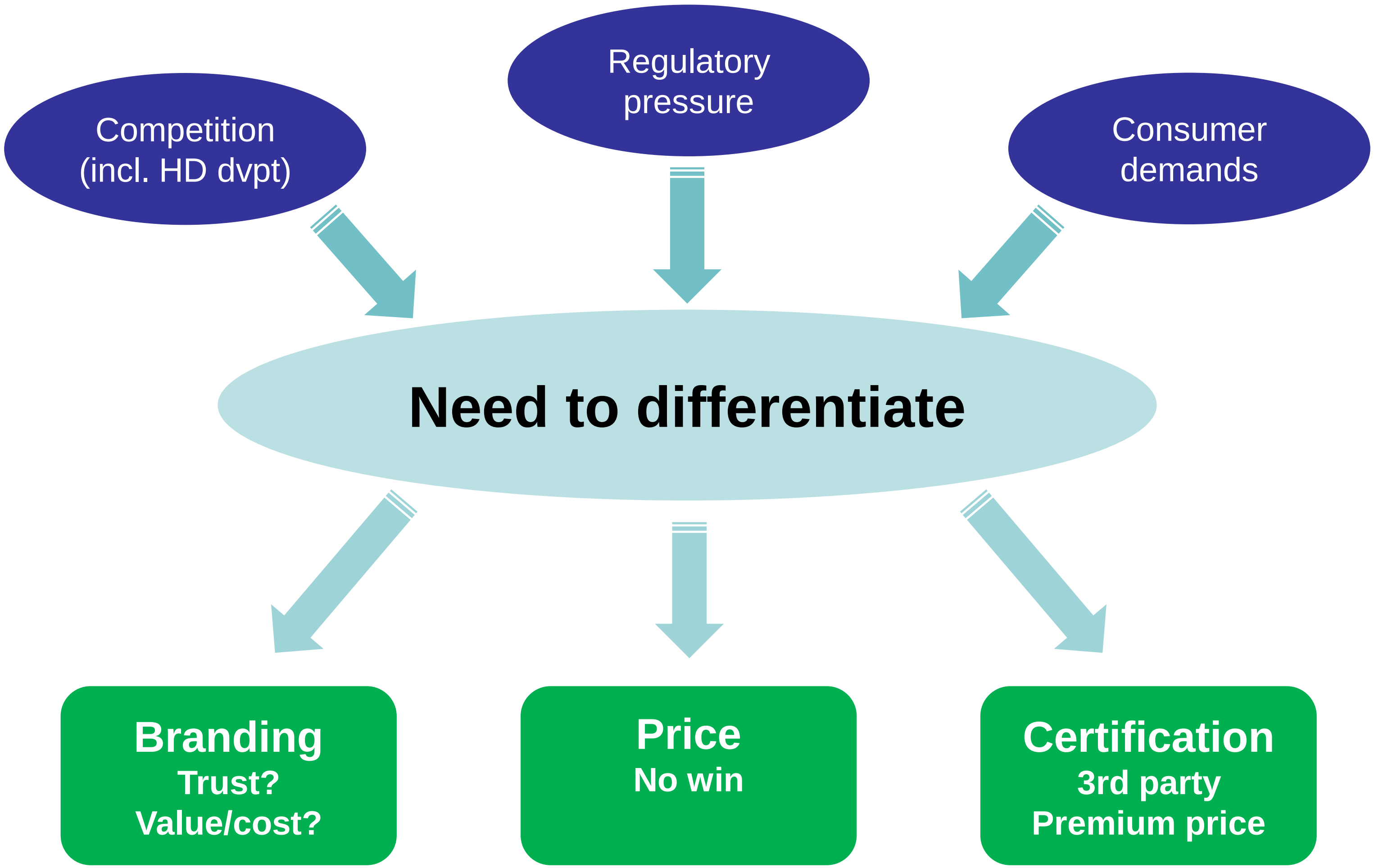
Need to differentiate

Certification to meet society demands and avoid/delay price wars

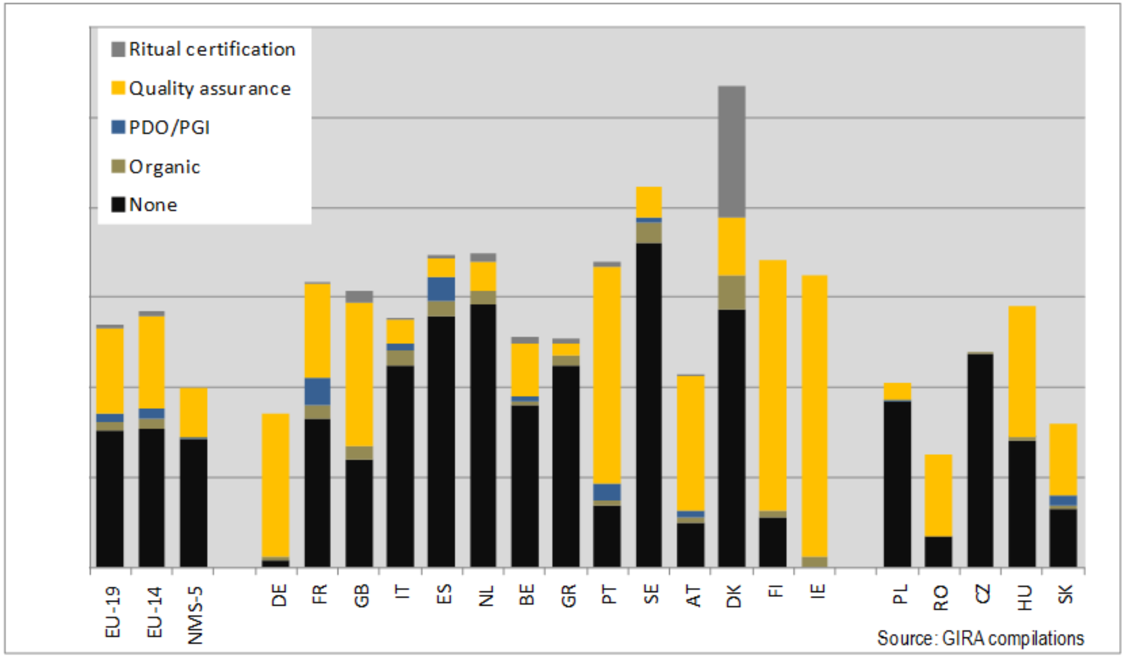


Raw meat modern retailing differentiation schemes

Quality differentiation (if any) mainly through quality assurance schemes

- Huge variations in % of differentiated
  - Reputed brands may reduce the need for quality certification
  - Highest share in Py
- Official quality signs (organic, PDO/PGIs) have small market shares
  - Severe constraints and high added costs
- Possible overlap between differentiation schemes (e.g. organic within a PDO)
- Quality differentiation set to increase
  - Organic to record the highest CAGR

Raw meat retailing by quality differentiation scheme & country, EU, 2014



Quality certification

Little focus – up to now – on sustainability

- Origin (local vs. national)
- Breed
- Animal category
- Production method
  - Feed
  - Extensive vs. intensive (grass-/grain-fed, free range…)
  - Organic
  - Animal welfare requirements
  - Halal and Kosher production & slaughter methods

- Emerging trends
  - Environmental protection – lack of common understanding on methods and indicators…
  - Social values (as part of sustainability) – even less understood!
    - Presently focusing on "small local producers"
  - Definition difficulties means these are presently used in communication more than in certification

Conclusions

- Developing world meat trade
  - Mainly in Py and Pk
- Sharp rise in Asian imports
  - But rise in share of total imports mainly in Bf and Sh
- CN accounts for the bulk of this rising Asian importance
  - Even more when taking Grey trade into account
- Quality certification gaining importance in the developed markets
  - At retail level mainly
  - In many markets a large share of international trade focuses on the catering channels
- Need for environmental/sustainability certification
  - Definition?