

9

ANNUAL REPORT

1

W

2

3

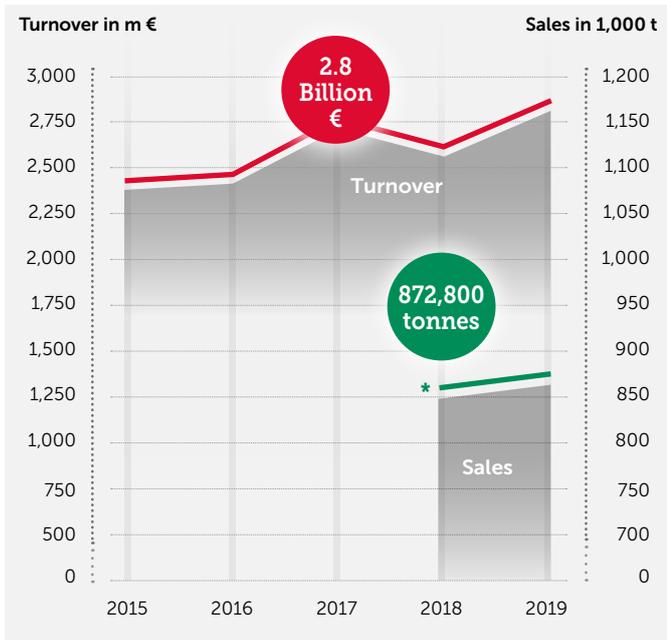


WEST FLEISCH

FROM FARMERS. DIRECTLY.

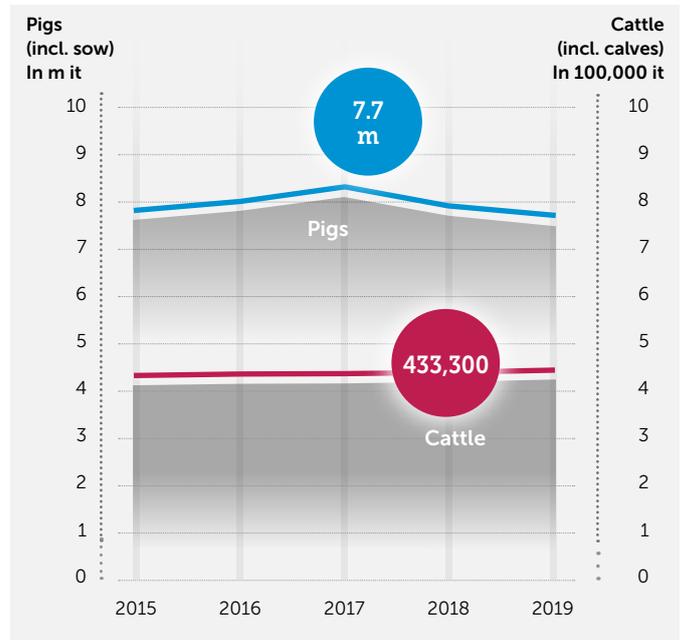
Company Key Figures

TURNOVER AND SALES

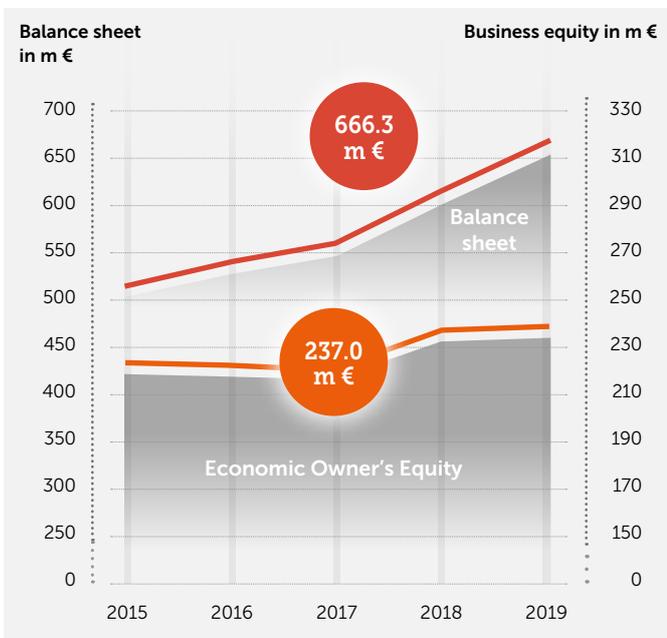


* computation base changed in 2018

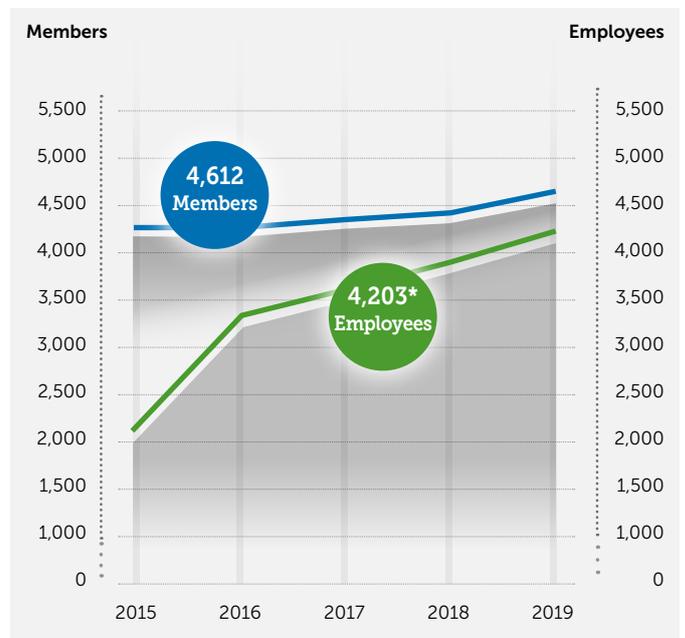
SLAUGHTER VOLUME CATTLE AND PIGS



BALANCE SHEET AND BUSINESS EQUITY



MEMBERS AND EMPLOYEES



* number of company's own employees on annual average



Content

	The Company	6
	Foreword of the Executive Board	8
	Milestones 2019	10
	Corporate structure	12
	Executive Board of Westfleisch SCE	13
	Our Production Sites	14
	Plant Managers	16
	Reports from our Business Divisions	18
	Members and Shareholders	20
	Markets for Livestock	26
	Markets for Animals for Slaughter	30
	Industry Topics	32
	Markets for Fresh Meat	36
	Export Markets	38
	Markets for Retail-Packed Fresh Meat and Meat Refinement	40
	Subsidiaries and Affiliated Companies	42
	Westfleisch Group Status	44
	Group Balance Sheet	46
	Consolidated Profit and Loss Statement	48

The Company



Foreword of the Executive Board

DEAR LADIES, GENTLEMEN AND MEMBERS OF THE COOPERATIVE,

In more than 90 years of operation, Westfleisch has never seen a year as diverse, in so many different respects, as the one we have just experienced. The African Swine Fever (ASF) broke out in our neighbouring countries Poland and Belgium. In the PR of China, the disease resulted in drastic changes to global protein flows and drove the price of pork up to unprecedented heights. Westfleisch has worked on developing a range of different topics in the past year. We have opened up new markets, filled our customers' shelves with innovative products, further expanded our cooperation with contracted farmers and initiated numerous investments in the course of our structural project "Westfleisch 2025".

Meanwhile, high levels of uncertainty and reactions to the many imponderables were experienced across the German agricultural industry. There are simply too many unanswerable questions, making it impossible for our farmers to feel secure in their planning. At least politics seems to have started moving, not least because of the numerous farmer protests in recent times. These urgent questions will need to be addressed promptly and forcefully, and decisions must be made to limit long-term changes to the detriment of the production economy in Germany.

One of the key issues in 2019 definitely was the startling development of commodity prices. The price of pork, for example, was around 1.36 € per kilogram slaughter weight at the beginning of the year, before prices rallied and rose in some cases to more than 2 €. A level, that was last reached 14 years ago, and only for a short period of time.

The main reason for the generally high commodity prices was the increasing import demand of many countries, especially the PR of China. With the outbreak of ASF, the pig population in the PR of China was reduced by about half within just a few months; around the world, stocks were diminished by roughly a quarter. This significant decrease in supply coincided with a further increase in demand. Unlike the domestic market – in Germany the demand for pork in private households declined by a further 3.9% in 2019 – the meat industry is a growth market around the world.

Better than the market as a whole

We wanted to take advantage of global opportunities, but at the same time we needed to work on expanding our

market share in our own country. In the end, we were able to successfully counteract the negative market trend over the past year. We slaughtered a total of 7.7 million pigs in this period – a slight decrease over the past year, which is less pronounced than the 3% drop recorded by the German market as a whole. The number of cattle slaughtered was up by 2%, a significantly better result than the industry trend of -0.8%.

In total, Westfleisch revenues increased by 9.3% to 2.8 billion € in 2019. Considering the constant sales volume compared to the past year, this increase must be attributed to the overall rise in meat prices. Annual net profits fell from 11.7 million € in the previous year to 10.7 million €. The company's equity increased by over 7%, and we achieved our equity ratio goal of approx. 35%. Ultimately, we were able to expand our financial leeway once again for 2020. Another important achievement for 2019 was our successful issuance of participation certificates. At this point, we would like to offer heartfelt thanks to all our investors for their confidence in us!

Once more, our members are profiting from the success of their cooperative. For the 2019 financial year, the Board will be recommended to distribute a dividend of 4.2% on cooperative shares. In addition, the cooperative pays special bonuses across all species of animals, totalling around 2.4 million €, to contracted farmers.

A fragile market situation

Despite our satisfactory balance sheet, the past year's results clearly show that the current market situation is unusually fragile – not at least because of the threat of an ASF outbreak among the wild boar population in Germany is possible, and such an event would certainly leave its mark. In addition, at the editorial deadline of this report in February 2020 we only this report we had only just begun to see the effects of the coronavirus crisis. This phenomenon is likely to have many and far-reaching consequences.

Maximum flexibility will become more necessary than ever as we prepare to address the dynamic changes expected to punctuate the months and year ahead. In light of these circumstances, it is crucial that we continue to increase the competitive position of our cooperative. Within the scope of our "Westfleisch 2025" structural project, we have initiated a number of significant construction



and modernisation measures over the past year. We were able to move forward with a range of approval processes aimed at strengthening each individual site and increasing our ability to act and react as effectively as possible.

The very diverse year 2019 will be followed by more turbulent years. We look forward to successfully moving

forward through this period together with our staff, members, partners, producers, customers and other livestock cooperatives. We would like to thank you all very much for the confidence you have shown in us over the past year!

gez. Carsten Schruck (CFO)

gez. Steen Sönnichsen (COO)

gez. Johannes Steinhoff (COO)

Members of the Executive Board of Westfleisch SCE mbh, Münster

Last year's milestones at Westfleisch

January

Xtra App:

The new Westfleisch-App enables our farming partners to schedule abattoir deliveries and see slaughter data on their smartphones.



January

Integration:

A newly appointed Integration Manager assists our international colleagues in all belongings of everyday life.



March

"Westfleisch Days":

Almost 700 of our members attended four regional gatherings to find out about the most important developments in our company and the industry as a whole.

April

Appeals:

All over the country, farmers have forcefully demanded engagement in dialogue with society and politics – in Münster alone, more than 6,000 farmers participated in demonstrations.



April

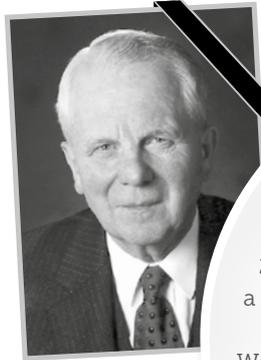
Labelling:

A new four-level system will soon provide sector-wide information on farming practices and animal welfare standards.





May
Factory outlet:
 The retail outlet at the Oer-Erkenschwick site is opening with a new look.



June
In memoriam:
 Gottfried Brentrup passed away on 23 June at the age of 90. The farmer was a respected figure in the company's history and made significant contributions to Westfleisch over the course of three decades as a member of the Supervisory Board, of the Executive Board, as Chairman of the Board and at least as Honorary Chairman from 1995 onward.



November
Capital investment:
 Westfleisch participation certificates are proving to be an attractive form of investment that is gaining great popularity with our members, shareholders and staff.

August
Traineeships:
 Westfleisch has welcomed 40 new technical/vocational and commercial trainees to the cooperative.



December
Paderborn:
 Just three years after the major fire, Westfleisch has sold the site of its former meat processing centre in Paderborn, about 150 km east of Münster.
 The cooperative continues to operate as a dependable partner to farmers in the region.

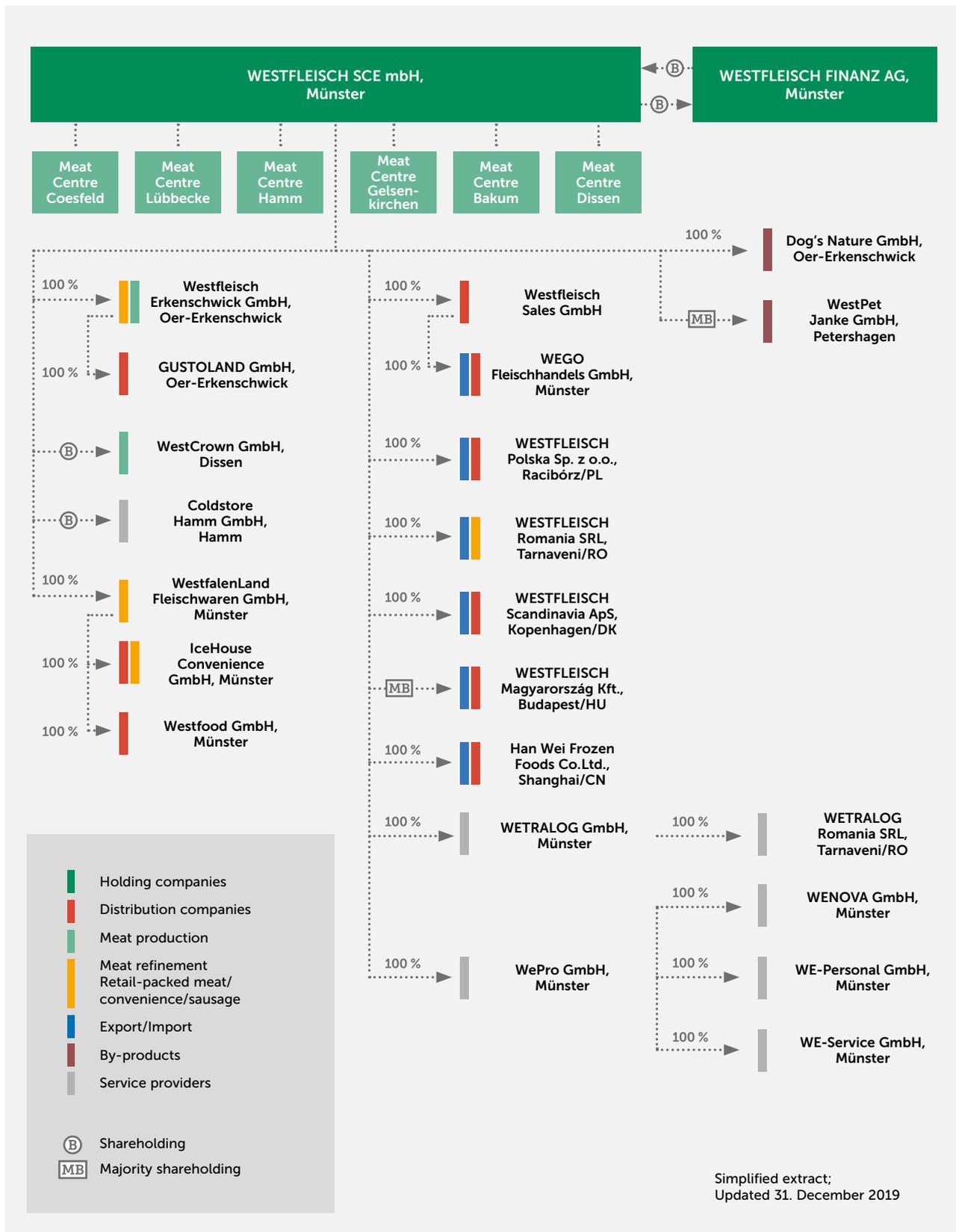
December
Price rally:
 The outbreak of the African Swine Fever (ASF) decimated the global pig population, reducing the number of domestic animals by a quarter and resulting in a significant price rise. December saw the highest price in 14 years: 2.03 €/kg slaughter weight.



October
Investment:
 Work has been completed on modernised barn facilities in Bakum (construction stage 1 in 2019) and a new anaesthetising facility to meet the most demanding requirements.



Corporate Structure



Executive Board of Westfleisch SCE

HONORARY MEMBERS



Dirk Niederstucke
*Chairman of the
Executive Board*



Gerhard Meierzuerde
*Member of the
Executive Board*



Peter Piekenbrock
*Vice President of the
Executive Board*

FULL-TIME MEMBERS



Johannes Steinhoff (COO)
*Member of the
Executive Board*



Carsten Schruck (CFO)
*Member of the
Executive Board*



Steen Sönnichsen (COO)
*Member of the
Executive Board*

Our Production Sites



**WESTFLEISCH
MEAT CENTRE COESFELD**

Stockum 2 | 48653 Coesfeld
DE ES 265 EG | DE EZ 320 EG
Orgalvent No. 10009-11



**WESTFLEISCH
MEAT CENTRE GELSENKIRCHEN**

Am Schlachthof 4a
45883 Gelsenkirchen
DE NW 82000 EG



**WESTFLEISCH
MEAT CENTRE HAMM**

Kranstraße 32 | 59071 Hamm
DE ES 147 EG | DE EZ 119 EG
Orgalvent No. 10009-12



**WESTFALENLAND FLEISCHWAREN GMBH,
ICEHOUSE CONVENIENCE GMBH,
WESTFOOD GMBH**

Hessenweg 2 | 48157 Münster
DE NW 88888 EG
Orgalvent No. 10009-46



**WESTFLEISCH
MEAT CENTRE LÜBBECKE**

Rote Mühle 54-56 | 32312 Lübbecke
DE NW 20150 EG
Orgalvent No. 10009-13



GUSTOLAND GMBH

Industriestraße 8-14
45739 Oer-Erkenschwick
DE EV 42 EG



**WESTFLEISCH
MEAT CENTRE BAKUM**

Harmer Straße 25 | 49456 Bakum
DE NI 10142 EG
Orgalvent No. 10009



**WESTFLEISCH MEAT CENTRE DISSEN,
WESTCROWN GMBH**

Am Bahnhof 5 | 49201 Dissen
DE NI 10048 EG



**WESTFLEISCH
ERKENSCHWICK GMBH**

Industriestraße 8-14
45739 Oer-Erkenschwick
DE ES 249 EG | DE EZ 206 EG
Orgalvent No. 20059



**WESTFLEISCH
LIVESTOCK CENTRE NIENBERGE**

Hägerstraße 65
48161 Nienberge



Pork



Piglet trade



Self-service/convenience



Sow meat



Calves and elder calves



Frozen meat/convenience



Beef



Smoked pork chops



Sausage



Veal



Bacon



Meat Centre



Subsidiaries, affiliated companies, and sites

Plant Managers



Frank Baum
Plant Manager
WestfalenLand
Fleischwaren GmbH



Johannes Bayer
Plant Manager
Meat Centre Coesfeld



Christoph Clemens
Plant Manager
Meat Centre Lübbecke and
Meat Centre Bakum



Kim Fog Jensen
Plant Manager
Meat Centre Erkenschwick



Bernhard Kotthoff
Managing Director
Gustoland GmbH



Max-Werner Kriesten
Plant Manager
Meat Centre Hamm



Gustav Kronsbein
Plant Manager
Meat Centre Gelsenkirchen



Norbert Laumann
Plant Manager
WestfalenLand
Fleischwaren GmbH



Matthias Lüke
Plant Manager
Meat Centre Dissen

WEST FLEISCH

Together:

with its subsidiary companies and processing plants, the cooperative presented itself to international trade fair visitors in October at the Anuga 2019, the world's leading food fair.

Reports from our Business Divisions



Members and Shareholders	20
Markets for Livestock	26
Markets for Animals for Slaughter	30
Industry Topics	32
Markets for Fresh Meat	36
Export Markets	38
Markets for Retail-Packed Fresh Meat and Meat Refinement	40
Subsidiaries and Affiliated Companies	42

Together we are strong



The coronavirus crisis has convincingly demonstrated the fundamental importance of regional agriculture in north-west Germany. In close alliance with Westfleisch, the region has been supplying quality meat products to consumers at home and abroad for more than 90 years. The collaborative strength of the cooperative and its members was also apparent in our 2019 results: Westfleisch continues to maintain its position as one of the three largest meat marketers in Germany, and one of the largest in Europe. While the domestic meat market overall is on the decline, the cooperative has managed to make small improvements to its situation.

Reliability is an important cornerstone of sustainable success. We work in close partnership together with and in the name of our member companies. We offer reliable contracts that ensure the highest degree of security, trust and dependability for both sides. This applies to direct partnerships with farmers as well as collaborations with regional and local livestock processing cooperatives and marketing partners.

In 2019, we were once again able to see the results of this approach: while the number of our contract partners remained almost stable, the number of animals supplied rose slightly, representing an increase in the average number of animals per contractor. In the face of a declining market overall and more and more difficult production conditions for farmers, this result is a successful one for us. In the past year, 2,090 BestSchwein partners sent a total of 5.6 million pigs for slaughter to their cooperative. One in ten of all the pigs slaughtered in Germany came from a Westfleisch contractor. In the previous financial year, 256 BestFerkel contract partners produced a total of 1.3 million quality piglets.

In the area of cattle, Westfleisch has a total of 672 contracted beef partners generating a supply of 78,000 bulls, cows and heifers – a significant increase from the past year. Additionally, 40 partners supplied 36,000 calves to Westfleisch under the BestKalb contract.

2,090
5.6 m

BestSchwein contract partners delivered
slaughter pigs

256
1.3 m

BestFerkel contract partners raised
quality piglets

672

contract partners
in the beef sector delivered
bulls, cows, and heifers

78,000

40
36,000

BestKalb contract partners raised
calves



Westfleisch keeps communication channels open

Strong, open lines of communication are particularly important in view of our large number of members and supply partners and our great responsibility towards people, animals and the environment. Westfleisch uses various channels to stay in contact with partners, members and shareholders. Our farmers received a preliminary overview of the most important indicators of the business year at the regional conference held at the beginning of March. Over 700 farmers attended our information format "Westfleisch-Tage" this year. An even more detailed overview of the past year's results is published in the annual report. In addition, all members and shareholders can learn more about our results from the preceding financial year and plans for the future at the annual general meeting. At this assembly, members and shareholders also have the opportunity to discuss the results, developments and the company's agenda with the members of the Executive Board and Supervisory Board.

Our membership magazine "Information for Farmers" provides our contract partners with a compact and descriptive update including background reports, information and details about the cooperative and market developments several times a year. The website and Extranet for members also contribute to our outstanding transparency. The "Xtra App" was introduced last year as a new communication tool to expand our range of information provision. The app enables marketing partners to quickly and easily schedule livestock for slaughter and receive slaughter results on their smartphone the same day.

Future oriented production plants

Our "Westfleisch 2025" site structural project was initiated in 2018 with the goal of future-proofing individual meat processing centres and refining enterprises and increasing international competitiveness. The measures implemented are expected to provide targeted improvements to each site, enabling them to make better use of their individual advantages. In 2019, for example, the Coesfeld Meat Centre underwent the first stages of a planned expansion. Plans are currently in play to expand the production area and cold storage facilities and increase the overall capacity of the centre. Along with advantages for the individual company, the planned changes will also have positive outcomes for the environment and local residents, concerning smells and sounds being significantly reduced through a variety of measures and by the use of the latest technologies. We are planning numerous modernisation and construction measures in other locations as well. Some of these have already been introduced or implemented. At the cattle slaughtering site at Bakum, for example, we have now constructed a new waiting barn and a state-of-the-art anaesthetising facility. A key focus for 2020 is the conversion of the Hamm slaughterhouse for a mono

operation plant for pigs only. At the end of 2019, just three years after the major fire, we sold the property of our former meat center in Paderborn. Owing to the extensive damage to the facility, reconstruction was not an economically viable option. Since the fire, Westfleisch has been working closely with a local livestock company, as a result of which managed to remain the reliable marketing partner for farmers in the region.

A rock-solid basis

A total of 4,612 members belonged to the cooperative in the past year. All of these played their part in enabling Westfleisch to achieve revenues just short of 2.8 billion € in 2019 – an increase of 9.3%. This rise is largely the result of consistently higher prices, with especially noticeable increases in the price of pork. However, despite the significant increase in revenue, a slight decrease in the company's net profit – from 11.7 million € to 10.7 million € – was recorded. The company's equity increased by over 7%, and the equity ratio remains sound at 35%. This is a good basis for further investments in the coming years, which will be implemented as part of the project "Westfleisch 2025".

Distribution of assets



■ Individual members	21.5 m €
■ Member cooperatives	4.9 m €
■ Westfleisch Finanz-AG and executive bodies	3.9 m €

Meat Centre
Coesfeld



Meat Centre Erkenschwick



Production Site WestfalenLand



Meat Centre Bakum



WF

2020

Structural Project

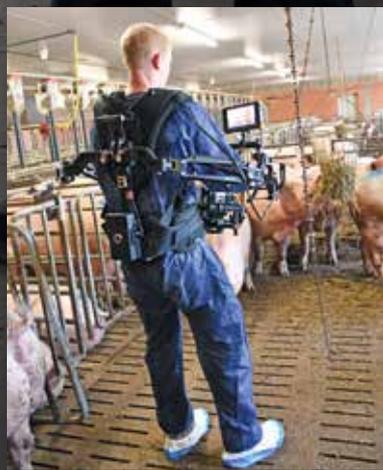
All planned and ongoing works in the structural project are going ahead without any loss of commitment, despite the coronavirus crisis.





Agriculture live on site::

In 2019, again some of Westfleisch's farming partners took up position in front of the camera. The short clips are part of a joint campaign with a major retail partner.



Consistently high quality

As one of Germany's leading livestock marketers, Westfleisch also supplies young stock for successful breeding and fattening results. Our livestock centre in Nienberge near Münster offers piglets, Holstein Frisian calves, Simmental yearlings and weanlings with best origins and of highest quality requirements.



Integrated service and solid results

Westfleisch successfully marketed around 2 million piglets in 2019 – a solid development considering the declining national piglet market of recent years. This positive result is primarily due to the fact that Westfleisch provides a complete piglet marketing service for breeders and fatteners. Piglet breeders are individually selected for fattening specialists according to firm criteria including supply volumes, frequency, hygiene and health status.

Westfleisch sources quality piglets primarily from its 256 BestFerkel contract partners. In addition to high quality and good hygiene and health reports, transport distances are also an important consideration. Most piglets are supplied to fattening facilities near to their holding of birth.

Piglets castration and farrowing crate issues contribute to uncertainty

Laws prohibiting the castration of piglets in Germany without anaesthesia will take effect from 2021, a development that has also contributed to levels of uncertainty in the industry over the past year. Piglet breeders now need to investigate the various alternatives and find the most practical solution for their own operation.

Similar uncertainties surround the outlawing of farrowing crates. Existing practices for housing sows at breeding facilities now need to be reconsidered. The consequences of both interdictions are made even more uncertain by the lack of a dependable political framework. The proposed clamping down in Germany alone may have the consequence that local farmers source piglets from other European countries where less stringent regulations are in place or where procedures not permitted in our country may still be used. This would result in a steep decline in German piglet production.

As a partner to our farmers, we are focussing on finding practical solutions for domestic agriculture that are also supported by politics, science, retail and consumers and will not cause competitive distortions in relation to other European countries.



Almost **2 million** piglets were marketed in 2019.

Over **64,000** calves and feeders were distributed from our livestock centre in Nienberge.

Calves and store cattle

Last year, Westfleisch marketed over 64,000 calves and store cattle. The livestock centre guarantees a sustainable supply for calf rearing farmers in the north of Germany. There has been a decrease in the number of Fleckvieh (German Simmental) and Braunvieh (Brown Swiss) calves from the south of Germany in recent years. Small-scale businesses with tie-stalls, of which there are many in the south of Germany, are gradually moving away from the calf production business.

Westfleisch is working to overcome the resultant supply shortfall by breeding its own cross-bred calves for the cooperative. We are achieving good carcass yields, comparable to those of Simmental bulls. These calves are reared within our region, and the proximity to fatteners is a definite advantage at a time when requirements around the transport of young stock in particular are becoming ever more stringent. With short transport distances and improved animal health, Westfleisch is laying a solid foundation for sustainable bull fattening with a focus on animal welfare.







Quality control:

Westfleisch sources well growing piglets for fattening partners primarily from 256 BestFerkel contract partners. High quality and good health and hygiene status have an important role to play in this accreditation process.

Success in turbulent times



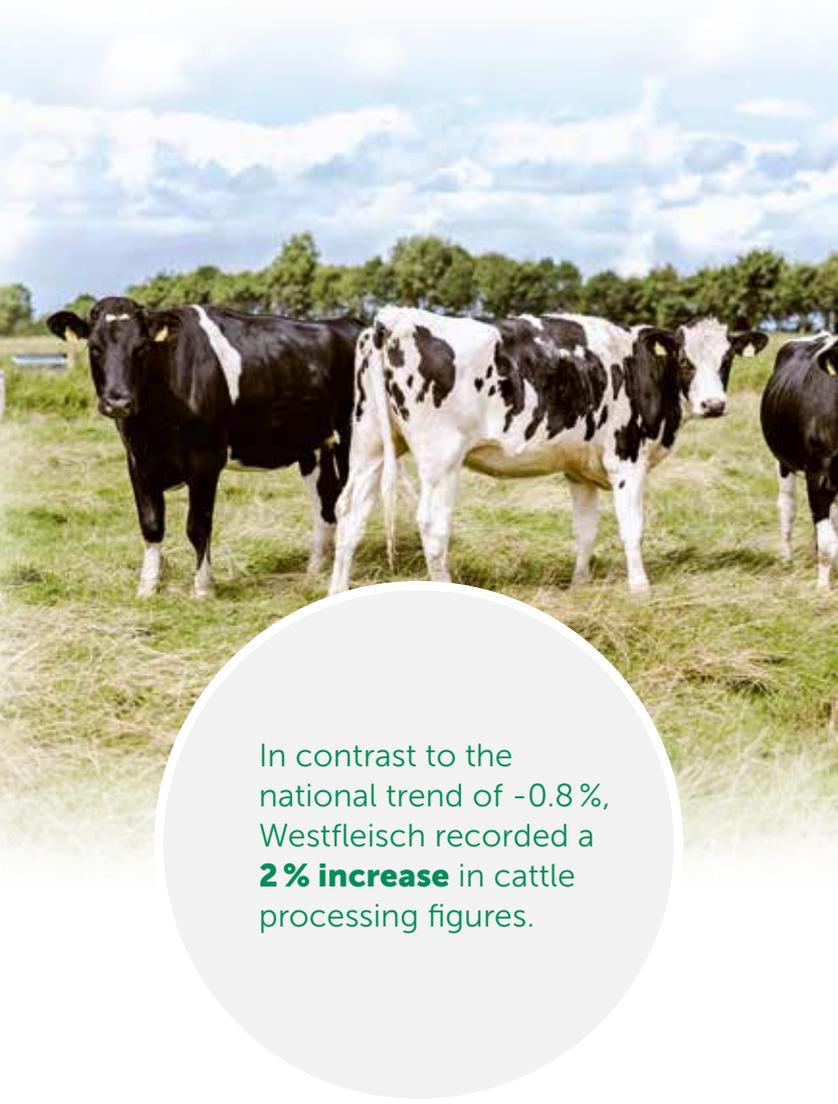
Despite variable market conditions, Westfleisch strengthened its market position significantly in 2019. Owing to an extraordinary surge in demand from Asia in the final quarter, we were able to balance out the significant dip in pig slaughter figures from the first half of the year. In the beef and veal sectors, we even managed to successfully break away from the market trend.

In the past year, Westfleisch was able to maintain the values achieved in the past year with the slaughter of some 7.7 million pigs (including sows), despite a decline of 3 % in the German market as a whole for the same period. The cooperative also overcame the sector trend in cattle numbers. While the overall market fell by 0.8 %, we processed 433,300 animals, which represents an increase of 2 % from the previous year.

Downward trend in Germany

Overall, the German meat industry has now been on a downward trajectory for three years in a row. Last year, the industry generated just 8 million tonnes of meat, 1.4 % less than in 2018. This decline is primarily attributable to a decrease in pork production. A total of 55.1 million pigs were slaughtered in Germany during 2019, 3 % less than in 2018. This represents a decrease in the number of animals sourced from within Germany and then processed by 3.4 % to 51.8 million – in contrast, the slaughter of imported animals increased by 2.7 % to 3.3 million animals. A total of 5.2 million tonnes of pork were produced across the nation in the past year; this represents a down of 2.6 % from 2018.

All in all for beef production 2019 was a stable year in Germany. The number of cattle processed decreased only slightly in comparison to the past year, dropping 0.8 % to a total of 3.5 million head. Total volumes increased by 0.9 % as a result of higher slaughtering weights, totalling 1.1 million tonnes. The decline in cattle processing figures is the result of limited supplies of cows for slaughter – at 1.22 million animals, 3.2 % less cattle were produced than in the past year.



In contrast to the national trend of -0.8 %, Westfleisch recorded a **2% increase** in cattle processing figures.

Changing markets

Meanwhile, important progress is being made with the animal welfare initiative "Initiative Tierwohl" (ITW), which compensates a part of the farmers' additional expenses for the more ambitious housing conditions. The "third phase" of the ITW, which will begin in the coming year, is expected to bring about significantly increased acceptance among consumers. Latest by mid-2021 consumers will be able to identify the origin ITW farm for every single meat cut offered by the retailers. This level of "identification" has previously been implemented for poultry, and has yet to be rolled out to cover the ITW pork volumes. The increasing costs for the additional care for the ITW-pigs provided by the farmers so far will, in future, be financed by the market. Thus, many more livestock farmers will be supported and more animals will benefit from upgraded housing conditions and have an increased wellbeing guaranteed.

Another subject causing considerable insecurity among farmers in recent months is the increased stringency of fertiliser ordinance. The specification of maximum fertiliser limits with no reference to pasture requirements presents ongoing problems, especially for the farms specialized on refining operations. In this area, too, future-ready concepts are required from the political side to give some perspective on the future to producers, especially cattle fatteners.

Stronger political support would also be desirable in other areas. In the context of beef, German companies currently lack access to many important international markets – in contrast to competitors in other countries such as Spain, Denmark and the Netherlands. Politicians, unions and branch representatives are hard at work in these divisions to obtain appropriate country approvals. Nevertheless, positive trends in the beef market have been observed as a result of stable private consumption and increasing demand for beef from major customers such as canteens.

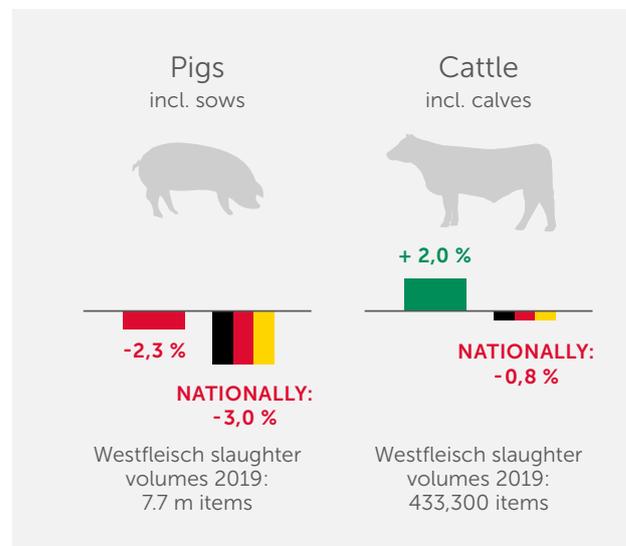
Westfleisch achieves satisfactory slaughtering volume

2019 was a challenging year for Westfleisch. However, positive and satisfactory results were achieved through collaborative efforts across all locations and specialist departments.

Westfleisch was able to counteract sector trends in cattle processing, slaughtering a total of 433,300 head and thereby cementing its position as one of the leading beef marketing bodies in Germany. The expansion goals for our beef marketing made good efforts by the investments in our Lübbecke and Bakum sites in the past year. More and more they act as a powerful "beef competence tandem", which is appreciated by the customers.

So we completed the first construction stage of a new waiting barn and installed a state-of-the-art anaesthesia facility at Bakum in 2019. The new barn construction can hold 140 head of cattle, more than doubling the previous capacity of the facility. This expansion, together with increased workplace safety and higher animal welfare standards, have enabled us to achieve significant added value for the site.

Westfleisch 2019 compared to national trends



Castration of piglets: four practical alternatives

An ordinance forbidding the castration of piglets without anaesthesia will take effect on 1 January 2021. Between now and then, every farmer will need to identify the most suitable alternative for his operational processes. Westfleisch considers that boar fattening, Improvac inoculation, injected anaesthesia and inhalation anaesthesia are all acceptable alternatives, and all methods will be accepted by the cooperative. Nevertheless it's important to recognize that the marketability of these products still is restricted partly. So, for example, the market for boar meat is limited – and current estimations indicate that this is unlikely to change in the future. Westfleisch currently processes around 1 million boars every year.

In early 2020, for the information of our farmers and customers as well as our own records, we initiated a project to investigate initial impressions of immuno-castration. Around 20,000 boars who had received the Improvac vaccination were slaughtered at our sites in Coesfeld and Oer-Erkenschwick. Experts then evaluated the marketability of these carcasses as likely to be "limited" for the foreseeable future.

Further alternatives are inhalation and injection anaesthesia. With the latter procedure, a veterinarian has to provide and to attend the piglets – a method involving both high costs and a complex methodology. This is not a viable alternative for most of the producers.

Inhalation anaesthesia using Isofluran is significantly more practical to implement. This can be administered by the farmer or agricultural employees after an appropriate training course and competence evaluation. To use this method, the farmer will need to purchase an anaesthetic machine. The Federal Ministry of Agriculture (BMEL) provides some funding for machines certified by the German Agricultural Society (DLG).

Ultimately, each piglet producer will need to weigh up which procedure will work best in his own operation and production chain. Agreements with fattening and processing facilities will also be important when choosing the optimum alternative for each situation.

**Inhalation
anaesthesia**



**Improvac
vaccination**



**Injection
anaesthesia**



Boar fattening



2019 INDUSTRY ISSUES

African swine fever: well prepared

In mid-2018, Chinese farmers still held a good 440 million pigs – that was about 50 % of the world's stock. Since the outbreak of African swine fever in August 2018, the pig population has decreased drastically. Experts estimate that at the end of 2019 only approximately 260 million pigs would have remained in the PR of China. At least one fifth of the global pig population is now gone.

The epidemic then expanded across many other South-East Asian countries, and twelve EU countries were also affected (at time of going to print). Another incident was identified in Belgium at the beginning of January 2020, and numbers are increasing in the east. In January of this year, Polish authorities identified the bodies of wild boars infected with ASF only twelve kilometres from the German border.

In close discussion with Polish colleagues and officials, the Federal Ministry of Food and Agriculture (BMEL) has developed further preventative measures to contain the animal epidemic on the Polish side of the border and prevent the disease from crossing over into Germany. The BMEL has also considered necessary statutory changes: the Swine Fever directive (Council Directive 2002/60/EC) is currently being reworked and updated to include more practical measures in case of an outbreak.

Ensuring the highest possible levels of biosecurity

An outbreak of ASF among the wild boar population in Germany would certainly have an effect on both, agricultural operations and the meat industry. It will be vital for the sector to remain calm and act discreetly. For certain, the strict biosecurity measures observed in German agricultural operations mean that a spreading of ASF from wild boars to domestic pigs is all but impossible – if all parties adhere to the appropriate procedures. Pig producers must ensure the highest possible levels of biosecurity on their properties if they are to protect their stock.

Westfleisch is very well prepared for the possibility of an outbreak of ASF in Germany. The cooperative established an appropriate crisis management team in 2018, which envisaged various different scenarios and devised instructions for purchasing, distribution, production and communication. The Westfleisch website provides important and relevant information on ASF at www.westfleisch.de/asp-faq. This includes general information on animal epidemics, crisis handbooks, important documents and checklists, presentations, informative videos, frequently asked questions and links to relevant websites. The collated information provides an overview of the various topics and will enable producers to find the necessary information quickly.

Well prepared:

The Westfleisch website www.westfleisch.de provides extensive information, assistance and links relating to ASF. The site contains a range of handbooks, checklists, presentations and much more.







Black beauty:

A new phenomenon took to the streets in 2019. In September 2019, Westfleisch commissioned a stylish show-truck for special occasions such as customer events and agricultural shows.

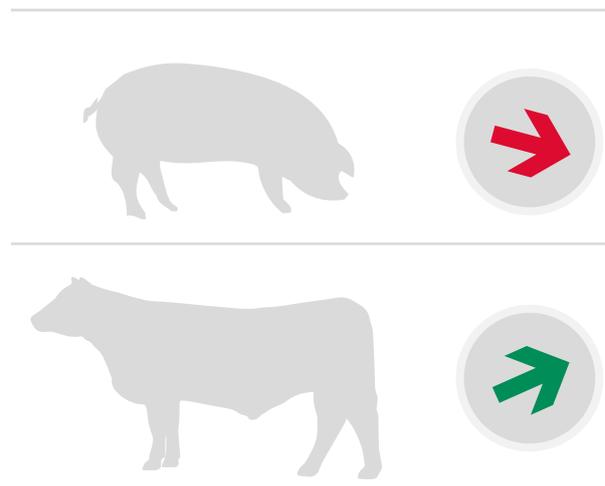
High quality secures market share

Less pork, a little more beef – these few words describe German meat production in the past year. An extraordinary high demand from abroad, in the last quarter by the PR of China in particular, and a diminished domestic interest especially in pork products balanced each other out quite well. The volume of meat produced decreased by around 2.6 % to over 5.2 million tonnes. In contrast, beef production increased by around 0.9 % to approx. 1.1 million tonnes.

The consumption of pork per capita has declined by more than 14 % in Germany over the last ten years. In 2019, high commodity prices compounded the sales difficulties. Nevertheless, in comparison with the sector as a whole, Westfleisch managed to achieve a good performance. As a cooperative producer and marketing body, we have access to and influence over the entire chain – from agriculture through commodities to processing and refining. At the same time, for more than 90 years we have been maintaining solid relationships based on mutual trust with our business partners. We are working together with all parties to engage with topics such as origin, security and quality at a high level and “from farmers directly”.

High credibility

As a cooperative of and for farmers, Westfleisch is the meat marketer best able to deal with these topics with the highest degree of credibility and authenticity in Germany. Approximately every seventh pig processed in Germany is slaughtered at a Westfleisch facility. With beef, we were able to counteract the sector trend in 2019. But the situation calls for caution: German beef is significantly more difficult to position on the international market, owing to the lack of approvals for different countries. Going forward, it is our mission to impress domestic consumers in particular with the outstanding quality of our German livestock breeds.



With this in mind, we are making significant, ongoing investments in human resources, technology and processes with a view to making our product ever more valueable. We are leading providers of pork and beef in the form of pre-packaged meats, convenience foods and barbecue items in Germany and Europe. We are constantly working to expand our product range and fill our retail customers’ shelves with innovations and improvements, especially in high-convenience and combination convenience products. Ultimately, we aim to achieve a higher added value across the entire processing chain and continually develop our market share.



Well positioned globally



For many years, Westfleisch has been well positioned in the export market. We are now represented in around 50 countries, our international trade activities generate more than 40 % of our total revenue. The PR of China once again was the main driver of sales in the past year.

The significance of exports was particularly evident in the fourth quarter of 2019. An unusually sharp rise in demand from Asia at that time successfully counteracted a significant drop in the overall balance from the first half of the year. The incidents of this year, however, also showed how fragile the market situation really is. Dynamic changes are also expected to mark the coming year. It is more important than ever to remain extremely flexible. Supply chains can falter (as happened with coronavirus), markets can be restricted due to political developments or become less lucrative (see Brexit), and market accesses may be denied in the case of an epidemic outbreak (the ASF scenario). Accordingly, gaining new markets is the key in turbulent times – especially in the face of the global effects of the coronavirus pandemic, which we can still only guess at.

It is nonetheless clear that the PR of China remains the defining market for global trade. Experts predict that it will take at least another three to five years for the Chinese people to recover the pig population from the effects of ASF, which destroyed at least 40 % of the country's stock. The Chinese market will therefore remain a key point for exported meat products worldwide – and therefore also for Westfleisch.

The beef boom in the PR of China

And this doesn't just apply to pork. In collaboration with other notable companies of the German meat industry and together with the Federal Ministry of Food and

Agriculture we accelerate to obtain permits to export beef to the PR of China as well.

After all, the PR of China increased its beef imports by a factor of six last year. We see the beginning of a period of significant changes, similar to the transformation observed in the pork market some years ago. The Chinese beef market is growing by the volume of the total EU beef market, every year. Previously, the Chinese market was supplied primarily by forequarters of beef and offal from Australia and South America. The successful trade business of these countries with the PR of China has enabled them to sell the premium cuts to the EU at the same time for dumped prices, and thereby making live more difficult for German farmers. As a result, it makes sense for all interest groups in Germany to work together to obtain appropriate export permits quickest possible.



Around 1.4 billion people live in the PR of China. These need to be supplied. Therefore, the Chinese market is of great interest to all exporting meat producers.

Westfleisch exports products to around 50 countries in the world.



Contested and challenging

The attractiveness of the Chinese market has not gone unnoticed among other market participants. Despite significant increases in supply quantities, Germany has lost its position to be the most important supplier to Spain. While German companies exported 491,900 tonnes (+36.4% in comparison to 2018) to the PR of China in the past year, Spain increased its total exports by 60% to 525,570 tonnes.

On course for further growth

The market for pre-packaged fresh meat, convenience products and deep-frozen as well as sausage specialities came under significant pressure in the past year. High commodity prices in particular worsened the situation in the industry, which includes a significant proportion of middle-sized family businesses. A rash of insolvencies, mergers and takeovers occurred during the period. In this difficult competitive surrounding, Westfleisch and its subsidiaries were once again able to hold their ground and continue to grow and prosper.

Gustoland, WestfalenLand, IceHouse and Westfood supply food retailers and bulk consumers such as restaurants, canteens and major institutional catering companies. Our customers are discerning, and they want to be constantly surprised with new products and creations. Our processing companies managed to do this with good success in 2019. Revenue in this area increased by 4.5 % to 846.8 million € in the past year.

This is all the more impressive in view of the fact that the quantity of red meat sold through German food retailers overall declined significantly. It appears that presentation plays a decisive role for success. While the proportion of total revenue generated by products with service decreased by 7 %, WestfalenLand, our subsidiary for pre-packaged meat products, reported an increase of 4 %. Deep-frozen products showed similar results. The market as a whole decreased by 4.6 %, while IceHouse in contrast reported a rise of almost 8 %.

High degree of capacity utilisation

The achieved product variety, the high flexibility as well as the guaranteed availability of raw materials by the members of the cooperative are the great strengths of Westfleisch's processing sector. The expansion of our product range to include large packages and family packages proved to be successful, with this sector increasing by 80 %. Our heifer programme was also well received. This premium product, well regarded by

restaurant professionals, appeals particularly to the more knowledgeable meat experts among our consumers. And finally, sales of organic items increased by a comfortable 29 %. This sector, marketed through WestfalenLand, generated a 7 % increase in revenue for the cooperative.

Continuous product range expansion

Over the years, it is apparent that Westfleisch has successfully recognised prevailing trends and made investments in expanding production capacities. Convenience items, that is pre-prepared products saving time and guaranteeing effort in meal preparation, are very popular with consumers. Gustoland expanded its portfolio in 2019 to include modern slow-cooked products such as spare ribs and pulled pork, as well as traditional dishes such as Burgundy roasts and Sauerbraten roasts.

Another important aspect of the retail food trade is sustainability in product development, especially regarding the reduction of the plastic waste. We were able to make significant progress in this area, in 2019. WestfalenLand presented the new "Burger Roll" minced meat product in an innovative tubular bag. This form of packaging constitutes a significant reduction in plastic materials, and therefore waste, in comparison to previous styles of tray packaging. For large-scale consumers, Westfood provides a similar concept by the name "Chef's

Cut". Portion markings are also printed on the packaging, making it easier for users to measure the right amount without weighing.

We will continue to pursue this strategy of consistently expanding the product range wherever possible in the future, so that we can continue to exploit attractive growth opportunities.



Together with its subsidiaries **IceHouse**, experts in the manufacture of deep-frozen foodstuffs, and **Westfood**, suppliers of bulk produce to large-scale consumers, **WestfalenLand** was able to increase sales by 4.1% and revenue by 3%. The company has a production facility in Münster and supplies retail stores with pre-packaged meat, minced meat, barbecue products and, increasingly, convenient pre-prepared products such as cooked roasts that require very little preparation. The company's competence in beef production was particularly apparent in the quality range of minced meat and steak products presented during the past year. A premium quality product was offered through the special heifer programme.

Trade in deep-frozen items such as hamburgers, cevapcici and gyros also increased significantly (+8%). Although the market is characterised by smaller household sizes and single-serve packages, the expansion of our standard and special product ranges to include family packages prompted enormous growth (+80%). Growth in some sectors was so significant that part of the production was sourced out to the affiliated site in Oer-Erkenschwick.



At this site, the subsidiary Gustoland mainly manufactures sausage specialities. Both production (+6.4%) and revenue (+16.8%) showed strong growth in the past year. This was attributable to a number of factors: the supply of fresh meat to WestfalenLand, an increase in business from industrial clients and a range of new listings including slow-cooked items. All these factors should be pursued and enhanced in future.

Competence in all divisions



In addition to Westfleisch's core competences regarding slaughtering and refining, the group's subsidiaries and corporate investments are also effective in other areas of the value-added chain.

WESTCROWN

The joint venture WestCrown operates at the site in Dissen. It is a 50/50 cooperation between Westfleisch and Danish Crown. In the common company both players combine the efforts in deboning and marketing of sow meat cuts and specialities.

www.westcrown.de

WETRALOG FOOD-LOGISTIK

The group's own shipping company is the transport and logistics specialist. It relies on its lengthy experience in the sensitive specialist sector of "food logistics". In addition to managing domestic meat transports, Wetralog is also responsible for the logistics for empties, as well as transporting live animals for the group. It operates internationally with the subsidiary Wetralog Romania.

www.wetralog.de

WENOVA UND WEPRO

As group-owned partners, WenoVA and WePro handle traditional personnel leasing and temporary work, as well as commissioning service contracts. This internal service provider organises an important part of slaughtering, cutting, and refinement, as well as the packaging and order picking for the Westfleisch locations. Increasingly, employees are also deployed in the engineering and cleaning departments, as well as for administration.

www.wenoVA-personal.de

WESTPET JANKE GMBH

WestPet Janke specialises in refining offal into raw materials for pet food manufacturers. According to the customers' recipes or requests, the nutritious components are processed for wet pet food products. WestPet also refines secondary products like hearts, livers, and kidneys for external customers.

DOG'S NATURE GMBH

Dog's Nature is a renowned manufacturer of untreated, mostly dried dog snacks sold in Germany, Europe, and the USA, with "Made in Germany" quality. The company's production is located in the Oer-Erkenschwick Westfleisch premises. Their raw materials mainly come from the Westfleisch group's operations.

www.dogsnature.eu

COLDSTORE HAMM GMBH

Coldstore Hamm is a full-service provider for deep-freezing logistics. The services in the refrigeration centre, right next door to the Hamm meat centre, include storing and packaging, refrigeration and implementation of various freezing processes, as well as handling export, import, and customs clearances.

www.coldstore-hamm.de



WEST FLEISCH

FROM FARMERS. DIRECTLY.



Consolidated Financial Statements Westfleisch SCE 2019



Consolidated Balance Sheet	46
Consolidated Profit and Loss Statement	48



Consolidated Balance Sheet

as of 31.12.2019 (with comparative figures for the financial year 2018)

ASSETS	31-12-2019		31-12-2018	
in k €				
A. FIXED ASSETS				
I. Intangible assets				
1. Concessions, patents, licenses, trademarks and similar rights and assets.	9,110		1,523	
2. Goodwill	3,311		3,963	
3. Payments on account	652		5,971	
4. Goodwill out of capital consolidation	0	13,073	662	12,119
II. Tangible assets				
1. Land, similar rights and buildings, including buildings on third-party land	107,785		108,858	
2. Technical equipment and machinery	59,397		58,588	
3. Other equipment, factory and office equipment	18,691		21,334	
4. Payments on account and construction in process	24,249	210,122	20,054	208,834
III. Financial assets				
1. Shares in associated undertakings	5,063		3,340	
2. Participating interests	239		219	
3. Shares in cooperatives	22		22	
4. Other loans	224	5,548	239	3,820
		228,743		224,773
B. CURRENT ASSETS				
I. Inventories				
1. Raw materials and consumables	12,634		11,839	
2. Work in process	6,741		4,361	
3. Finished goods and goods for resale	90,756	110,131	64,222	80,422
II. Receivables and other assets				
1. Trade receivables	218,914		187,930	
2. Receivables from undertakings in which the company has a participating interest	1,683		2,701	
3. Other assets	35,694	256,291	28,028	218,659
III. Securities				
Other securities		5,587		4,867
IV. Cash in hand, bank balances, and cheques		60,374		79,433
		432,383		383,381
C. PREPAID EXPENSES		5,168		4,125
		666,294		612,279

The presentation in k € can lead to rounding differences.

EQUITY AND LIABILITIES	31-12-2019		31-12-2018	
in k €				
A. EQUITY				
I. Subscribed capital				
1. Registered capital	31,838		30,757	
2. Subscribed capital unpaid	-890		-922	
3. less: Registered capital held by subsidiary	-3,640	27,308	-3,640	26,195
II. Revenue reserves				
1. Legal reserve	27,262		26,459	
2. Other revenue reserves	50,829		49,019	
III. Difference from Currency conversion		-29		-35
IV. Net profit/loss for the year and retained loss		3,395		2,114
V. Minority interests				
1. in equity	72,463		73,222	
2. in profit	25,045	97,508	24,246	97,468
VI. Special equity items		24,683		14,041
		230,956		215,261
B. PROVISIONS				
1. Provisions for pensions and similar obligations	10,231		10,234	
2. Tax provisions	1,872		14,052	
3. Other provisions	99,531	111,634	107,717	132,003
C. LIABILITIES				
1. Bank loans	85,778		75,704	
2. Advances on orders received	8,478		0	
3. Trade payables	188,763		138,321	
4. Amounts owed to undertakings in which the company has a participating interest	1,524		1,619	
5. Other liabilities	21,794	306,337	33,154	248,798
D. ACCRUALS AND DEFERRED INCOME		16		0
E. DEFERRED TAXES		17,351		16,217
		666,294		612,279

The presentation in k € can lead to rounding differences.

Consolidated Profit and Loss Statement 2019

(with comparative figures for the financial year 2018)

FOR THE PERIOD FROM JANUARY 1st UNTIL DECEMBER 31st	2019		2018	
in k €				
1. Turnover	2,794,858		2,557,626	
2. Increase or decrease in finished goods and work in process	28,898		3,047	
3. Other operating income	38,324	2,862,080	43,277	2,603,950
4. Cost of materials				
a) Cost of raw materials, consumables and goods for resale	2,238,215		2,003,710	
b) Cost of purchased services	193,265	2,431,480	183,138	2,186,848
		430,600		417,102
5. Personnel expenses				
a) Wages and salaries	151,113		144,096	
b) Social security, pension and other employee benefits	29,493	180,606	26,821	170,917
6. Depreciation and write-downs				
Of fixed intangible and tangible assets	43,400		40,594	
7. Other operating expenses	189,197	232,597	181,422	222,016
8. Income from participating interests	12		10	
9. Income from associated securities	1,792		182	
10. Other interest and similar income	1,607	3,411	723	915
11. Interest payable and similar expenses	4,499	4,499	4,083	4,083
12. Profit before taxes on profit		16,309		21,001
13. Taxes on profit		4,723		8,466
14. Profit after taxes on profit		11,586		12,535
15. Other taxes		903		881
16. Net profit for the year		10,683		11,654
17. Net profit attributable to minority interests		5,924		6,567
18. consolidates profit/ consolidated net loss		240		-775
19. Allocation to reserves		1,604		2,198
20. Net profit/loss for the year and retained loss		3,395		2,114

The presentation in k € can lead to rounding differences.



The future of meat – the meat of the future

Meat alternatives and products made from a combination of animal and plant-based proteins are becoming increasingly popular with consumers. Westfleisch is also investigating this area with a view to expanding its product range.



Imprint

Westfleisch Group
48143 Münster · Brockhoffstraße 11
48047 Münster · Post-office box 8844
Phone: +49 (0)2 51 4 93-0
Fax: +49 (0)2 51 4 93-12 89
E-Mail: info@westfleisch.de
Web: www.westfleisch.de

County Court Münster
Commercial Registry
number 448
Picture credits:
Westfleisch
top agrar
Adobe Stock



WEST FLEISCH
FROM FARMERS. DIRECTLY.