Farmers benefitting: Westfleisch overcomes a “challenging year 2020”

Slaughter figures better than for market overall / Disproportionate growth in the food retail trade / Farmers receive dividends of 4.2% plus special bonuses

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Press information

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Münster, 5th of March 2021. According to CFO Carsten Schruck, Westfleisch has “successfully overcome a challenging year 2020”. The Münster-based meat marketer was able to once again increase slaughter numbers against the negative trend of the sector, with a modest increase in revenue and significantly higher growth in processing compared to the overall market.

“2020 was an unusually challenging year with the advent of both the coronavirus pandemic and African swine fever”, explained Carsten Schruck at this year’s online Westfleisch Day. “As a result, we are especially pleased to have been able to fare reasonably well and still offer our agricultural members attractive dividends of 4.2 per cent on their share capital, plus additional special bonuses.”

Westfleischs´ annual revenue increased by 1.3% from 2019 to a total €2.83 billion. The net profit for 2020 was down €2.6 million due to the cost for coronavirus pandemic security measures and African swine fever, to €8.1 million.

Costs of COVID-19

Following the temporary closure of the Coesfeld site, experts developed an extended hygiene concept for all our production sites with the aim of protecting staff and enabling operations to continue despite COVID-19. Measures included the implementation of a rigorous testing strategy in which 1 million PCR tests were conducted and 2 million surgical masks purchased. These measures created cost of over €22 million in total. “We had to react quickly and with care to the challenges we faced by the pandemic. Security of supply to retailers and consumers as well as our purchase guarantee towards our agricultural marketing partners remained our primary goal throughout. Under these circumstances, economising simply wasn’t a consideration”, said Schruck. All Westfleisch production workers across all sites were tested every day.

The advance of ASF in Germany also presented problems for the meat marketer. With China stopping all imports, current stocks devalued significantly.

Strong retail demand

By contrast, positive developments in retail trade were observed. Consumer panic buying of cured meats, convenience products and pre-packaged meats contributed to this effect, reported Johannes Steinhoff, executive responsible for processing and technology. As a result, the annual revenue for Westfleisch subsidiary Westfalenland increased by 19.9% to €770 million. Sales increased by 14.7% from 2020 to a total 148,000 tonnes. The growth exceeded the average value of 4,2% in the overall market.

Trade figures at Gustoland also improved. The company achieved a turnover of 41,000 tonnes, representing an increase of 7.1% from the previous year.

“The coronavirus pandemic changed the purchasing behaviour of consumers. The significance of local and regional produce increased steadily, as did the demand for organic foods”, said Steinhoff. At the same time, the economic consequences of the pandemic were noticeable at the checkout. “The number of price conscious shoppers increased noticeably”, said executive board member Steinhoff.

The beef market – Westfleisch outperforms the market trend

Some 7.5 million pigs (including sows) were slaughtered by Westfleisch in the previous year – a decrease of 3%. This represented less of a drop than shown by the overall market (-3.5%), said Steen Sönnichsen, executive board for production, fresh meat sales, export and agricultural affairs.

Westfleisch maintained stable cattle slaughter numbers, against the trend of a declining livestock offer in the market. In the previous year, the cooperative slaughtered around 436,000 heads of cattle. The overall market in Germany decreased by 4.2%. “A combination of the coronavirus pandemic, a decrease in prices for bulls, cows and premium cuts as well as cheaper steak products from South America, put the market under considerable pressure”, said Sönnichsen. On the bright side, this effect was countered by what management describes as "decent retail sales in minced meat and steak" together with high consumer demand around Christmas.

Net profit remains at a reasonable level

Our members are also benefitting from the success of the cooperative. For the financial year 2020, as in the previous year, the committee of distribution recommended a dividend of 4.2% per cent on cooperative shares. In addition, the cooperative pays special bonuses across all types of livestock, totalling around €2.4 million, to contracted farmers.

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Figures	2019	2020[3]	+/-
Group			
Revenue	€2.79 billion	€2.83 billion	+ 1.3%
Net profit	€10.7 million	€8.1 million	-24.4%
Agricultural Equity	€231 million	€244 million	+5.6%
Total assets	€666.3 million	€612.5 million	-8.1%
Slaughter numbers			
Pigs[1]	7.7 million heads	7.47 million heads	- 3.0%
Cattle[2]	433,250 heads	436,000 heads	+ 0.6%
Processing			
Pre-packaged meats/convenience	129,000 t	148,000 t	+ 14.7%
Sausage	38,000 t	41,000 t	+ 7.1%

[1] including sows; [2] including veal; [3] all figures are preliminary