

Joint meeting of the CDG ANIMAL PRODUCTS (Section Pigmeat) and the CMO EXPERT GROUP
(Section Animal Products)

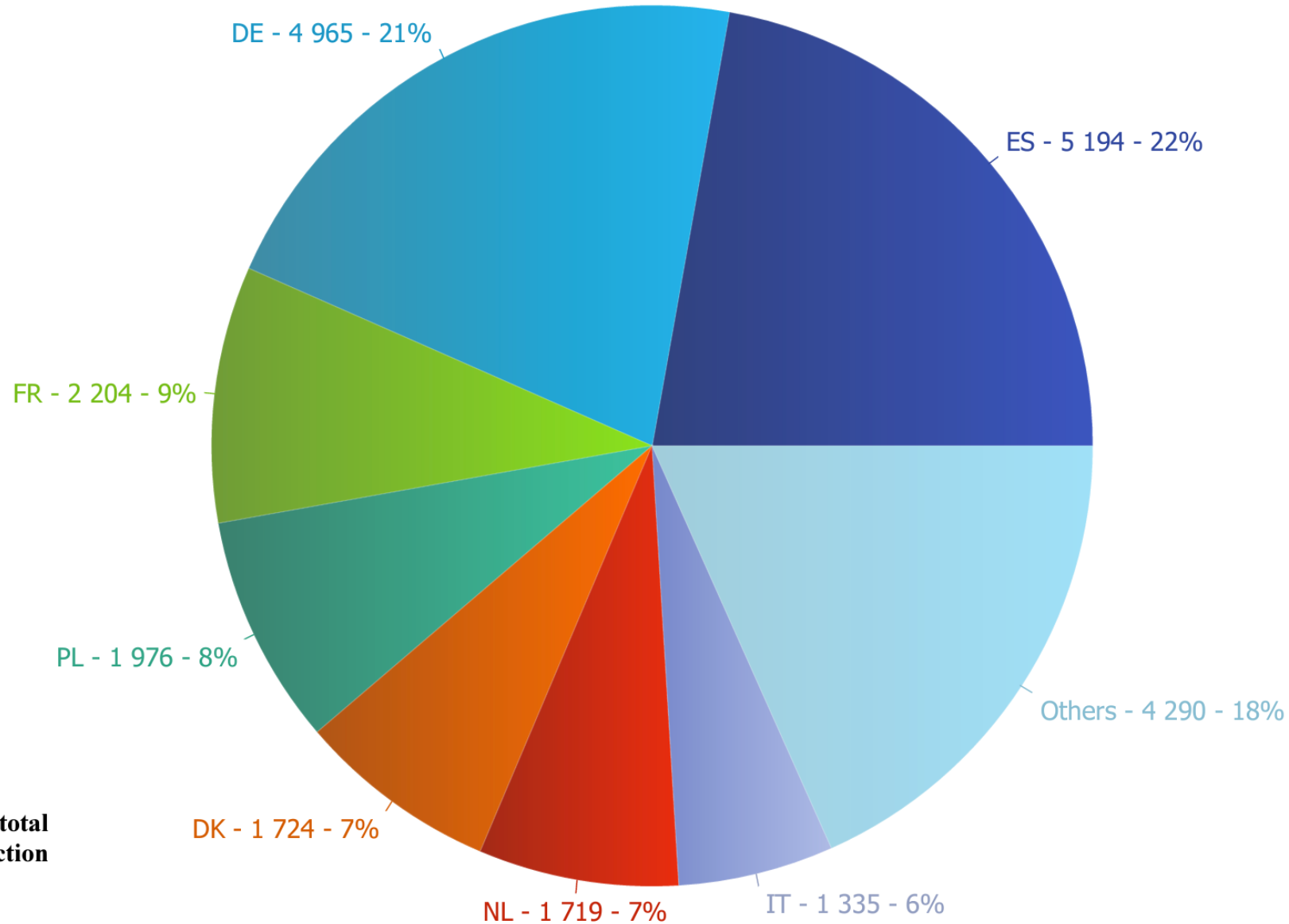
EUROPEAN PIGMEAT REFLECTION GROUP – 1st Meeting

Contracts and vertical integration SPAIN



Mr. Manuel García Lorenzo
Grupo Vall Companys
Presidente ANPROGAPOR

EU Main Producers (1000 tonnes product weight)

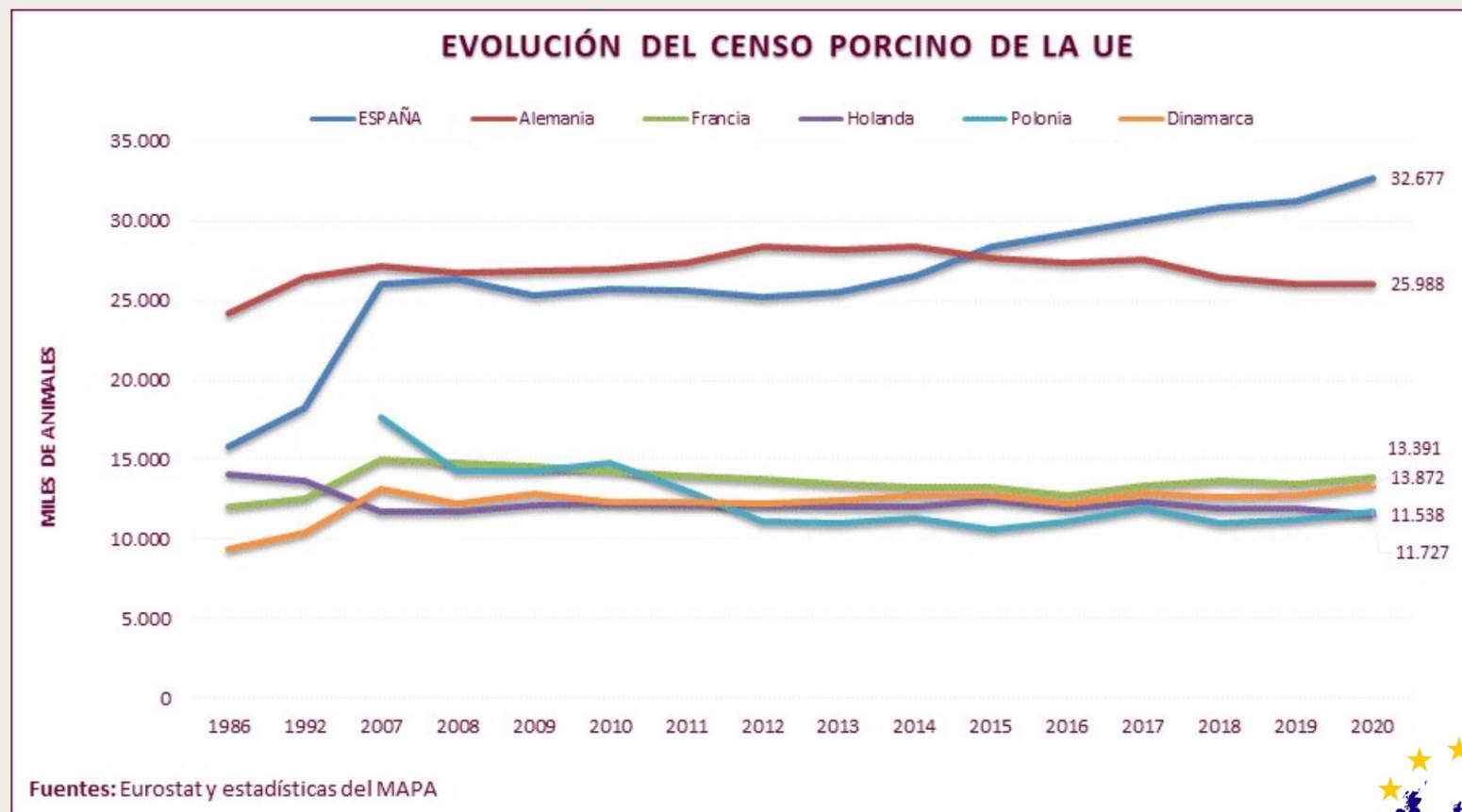


Year 2021
Total EU = 23408
(+2% over 2020)

**7 MSs = 82% of total
EU production**

Source: Eurostat

EVOLUCIÓN CENSO DE GANADO PORCINO EN LA UE

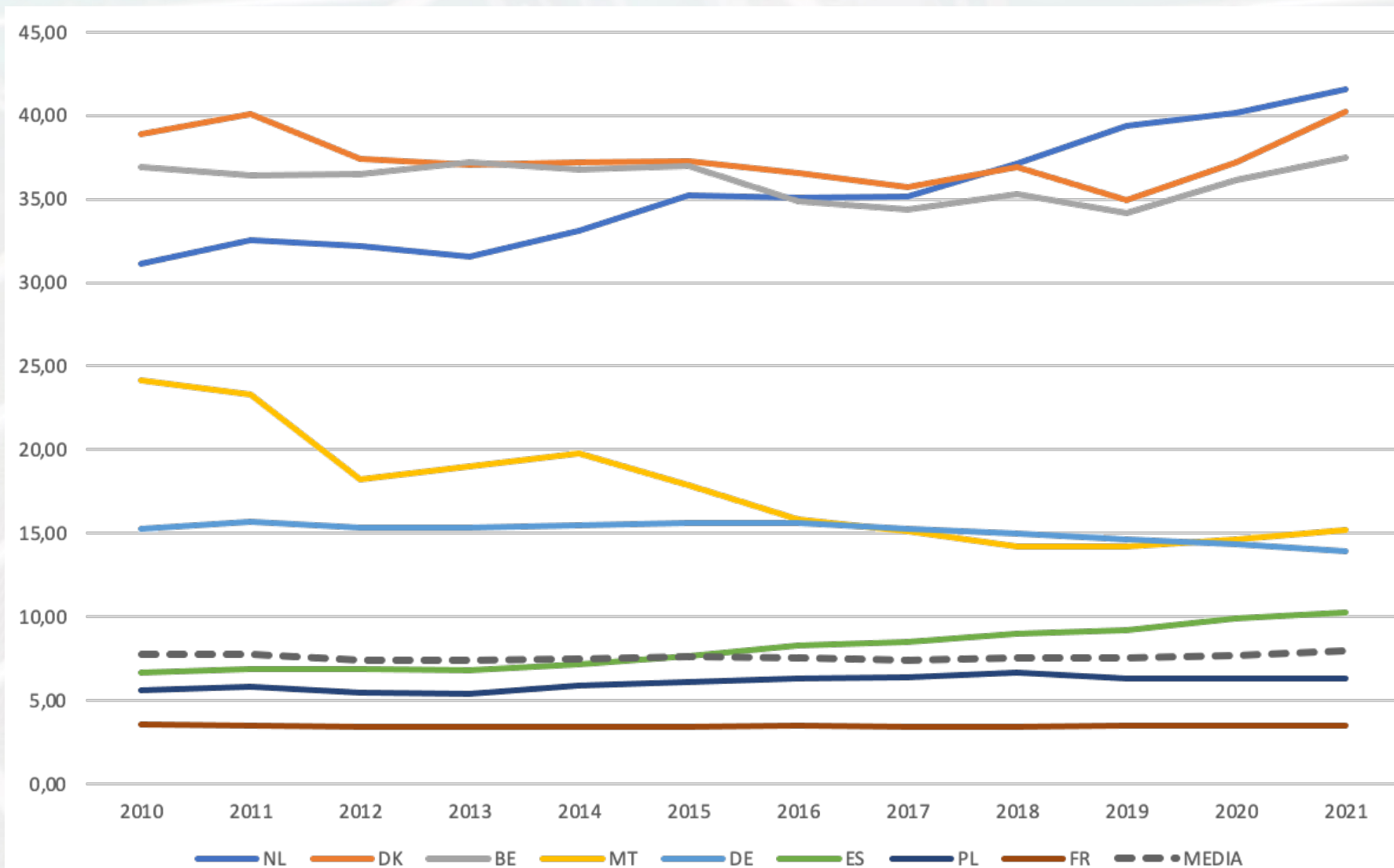


Variation pig populationç Dec 2021/20

BE: -2,8%
 DK: -1,8%
 DE: -9,4%
 IE: +2,1%
 FR: -3,4%
 IT: -1,6%
 NL: -5,8%
 PL: -12,7%
 PT: -1,4%
ES: +5,1%
 Av UE: -3,0%



Evolution. Kg pig meat (GIP) / Km2



2021

NL=41,56 kg/km2

DK= 40,21 kg/km2

BE= 37,48 kg/km2

MT= 15,17 kg/km2

DE= 13,93 kg/km2

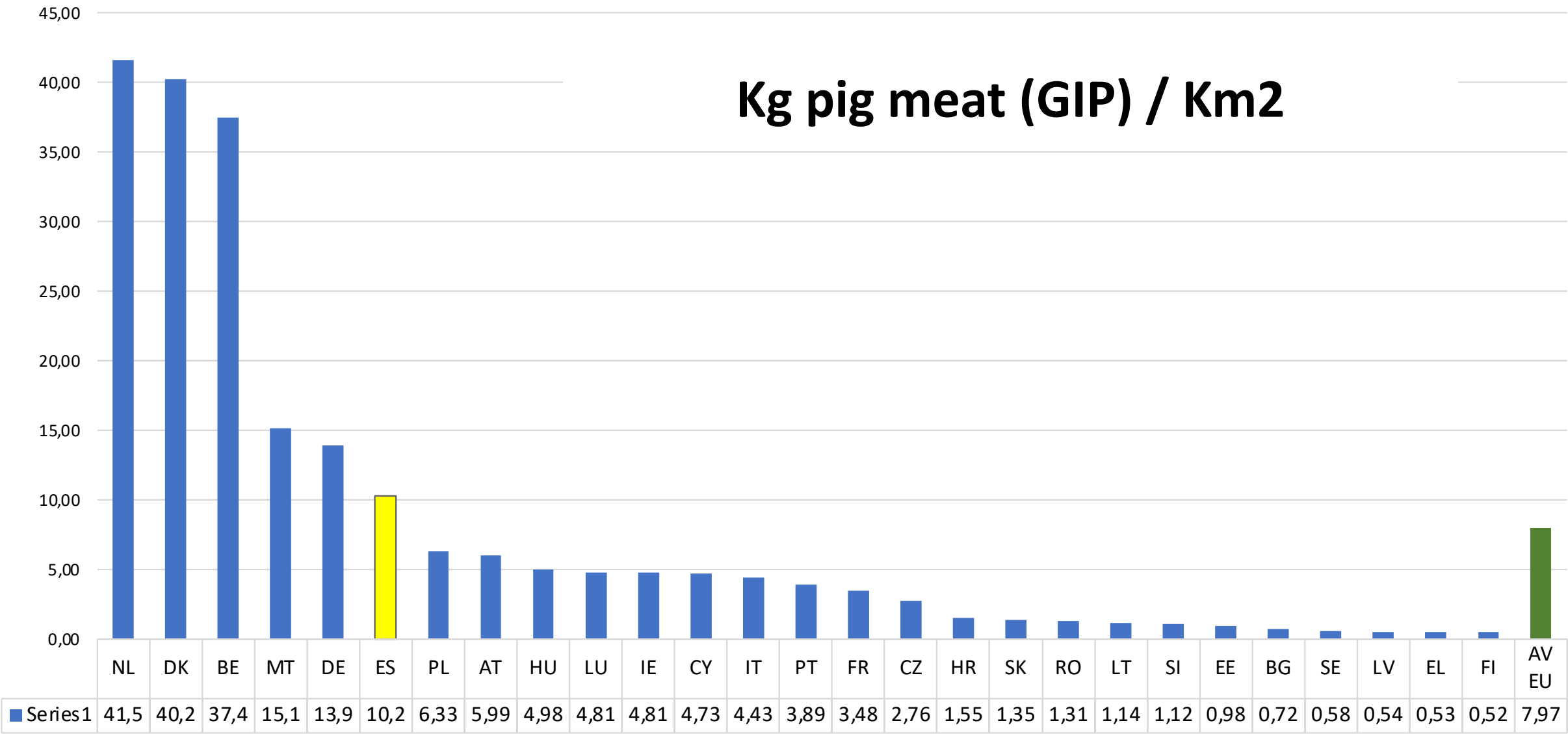
ES= 10,28 kg/km2

AV EU= 7,93 kg/km2

PL= 6,33 kg/km2

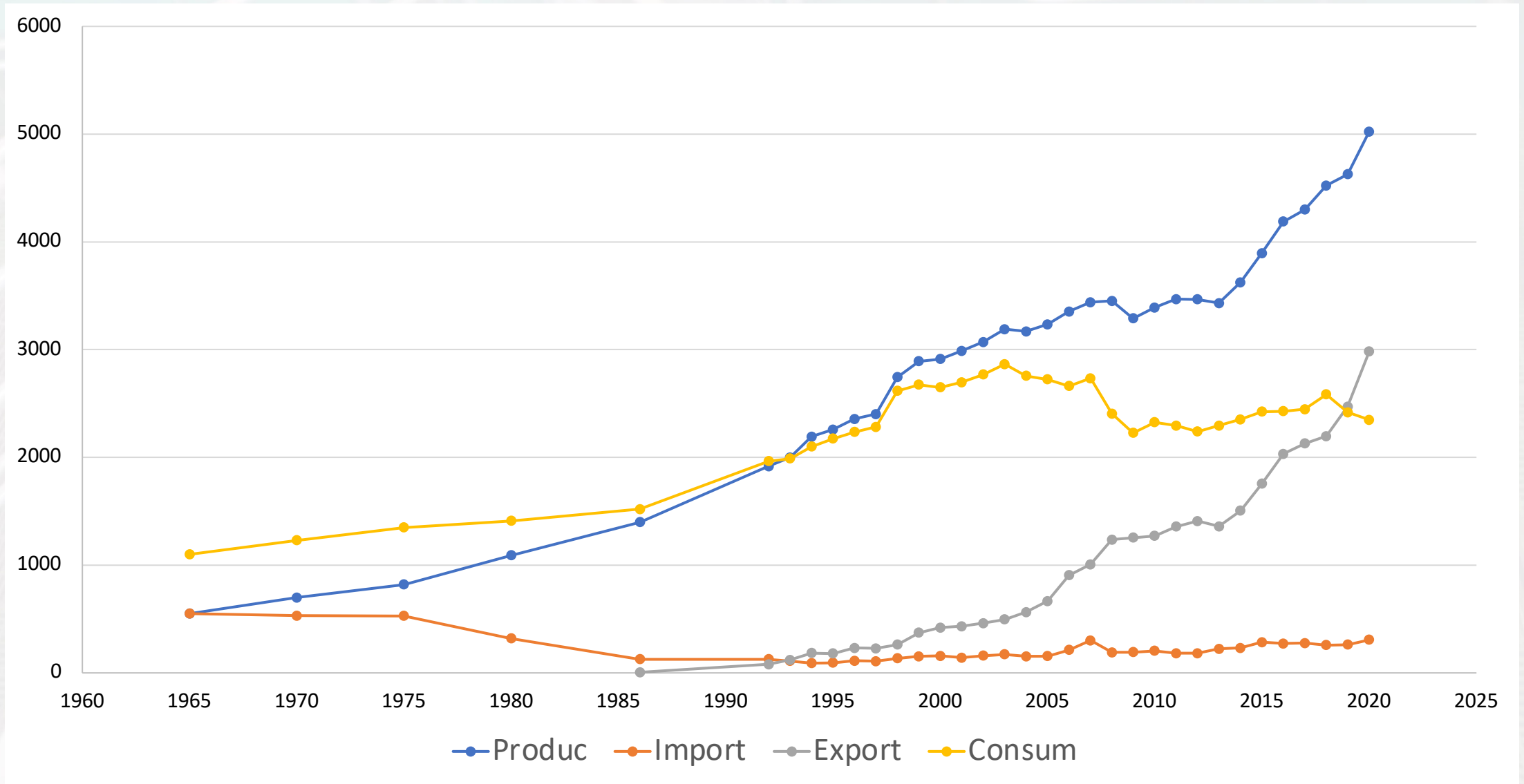
FR= 3,48 kg/km2

Kg pig meat (GIP) / Km2

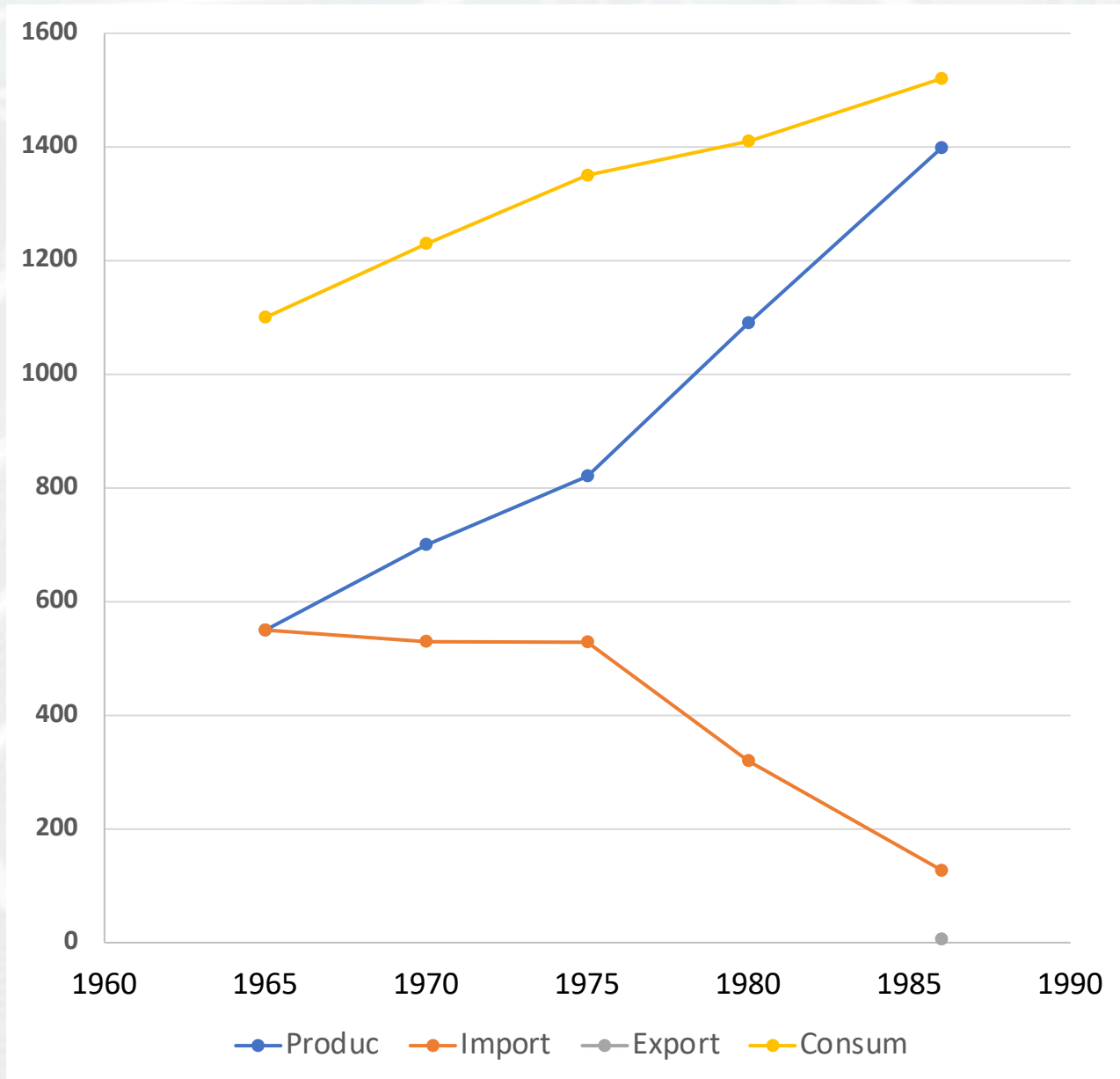


1 human = 10 m2

Evolution of pig production in Spain. kg (x1,000)



Pig production in Spain. 1965 a 1986



African Swine Fever

No exports

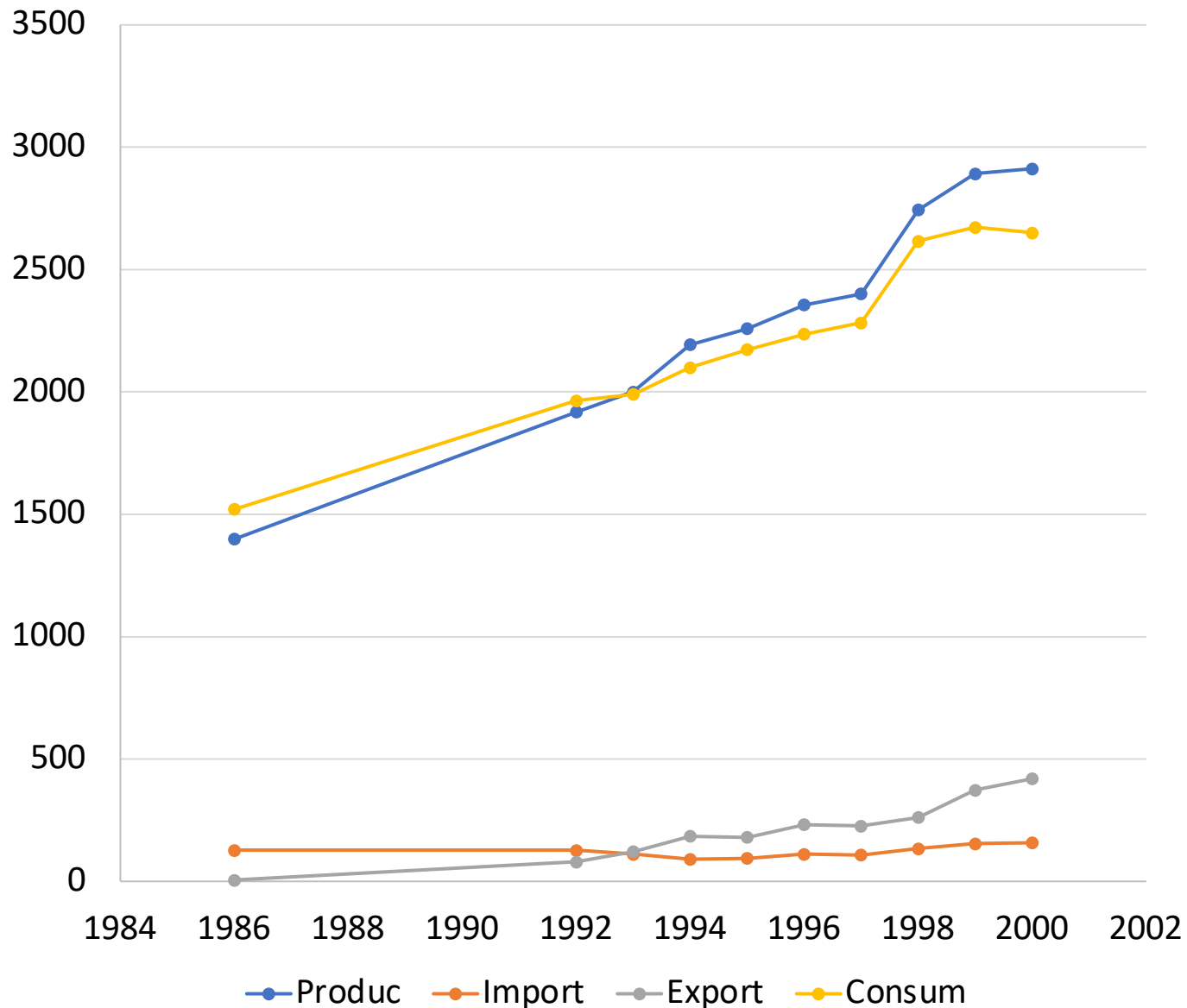
Self-sufficiency: 50 - 85%.

Non EU member

Net importer

Beginning of integration development:
-Individual growth
-Protection/insurance against ASF

Pig production in Spain. 1986 a 2000



ASF eradication

- Start: 1988

- Eradication: 1995

Strong growth: +108%.

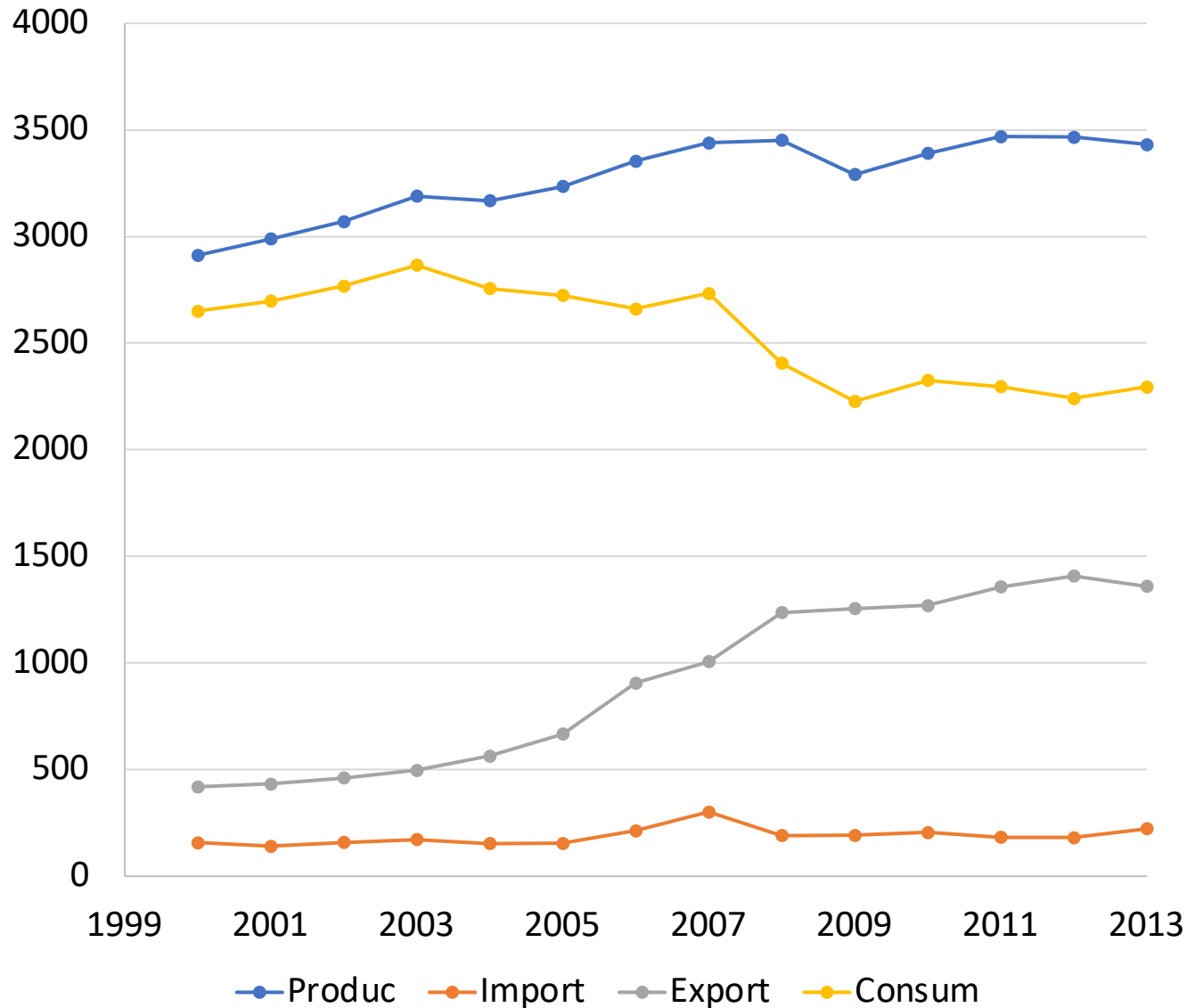
Export begins (mainly EU)

Reduction of imports

Self-sufficiency: 109.9%.

RD 324/2000. Regulation of the pig sector

Pig production in Spain. 2000 a 2013



RD 324/2000. Regulation of the pig sector

Management of excrement

Emission control

Distances between farms (1 km)

Limitation of maximum size

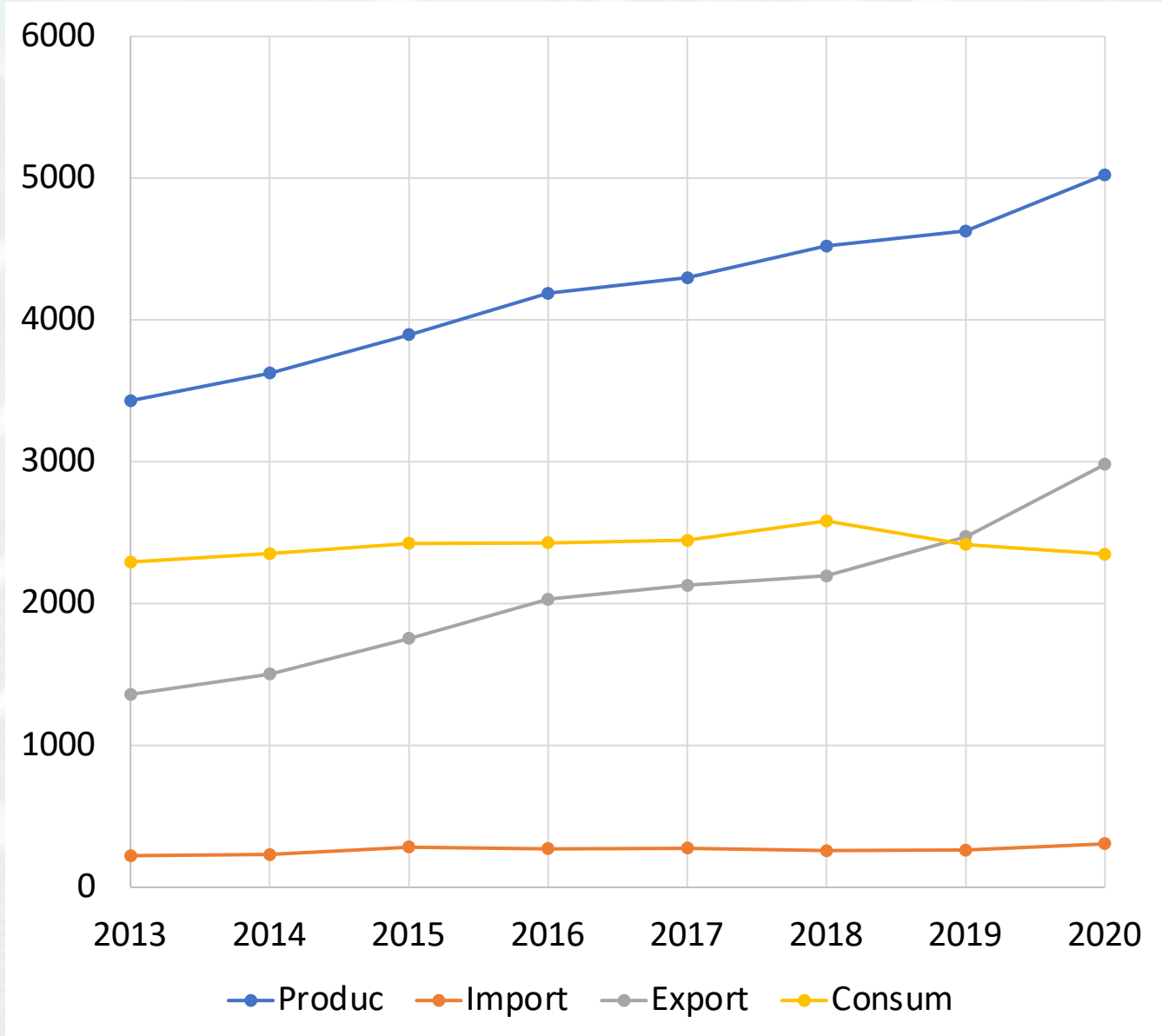
Biosecurity

Orderly growth of the sector: +17.8%.

Uncertainty: How to implement animal welfare rules - Directive 120/2008?

Exports EU and third countries

Pig production in Spain. 2013 a 2020



Animal Welfare

Correct implementation of Directive 120/2008

Growth of technological and efficient farms

Development of exports to third countries

Reduction of antibiotic use

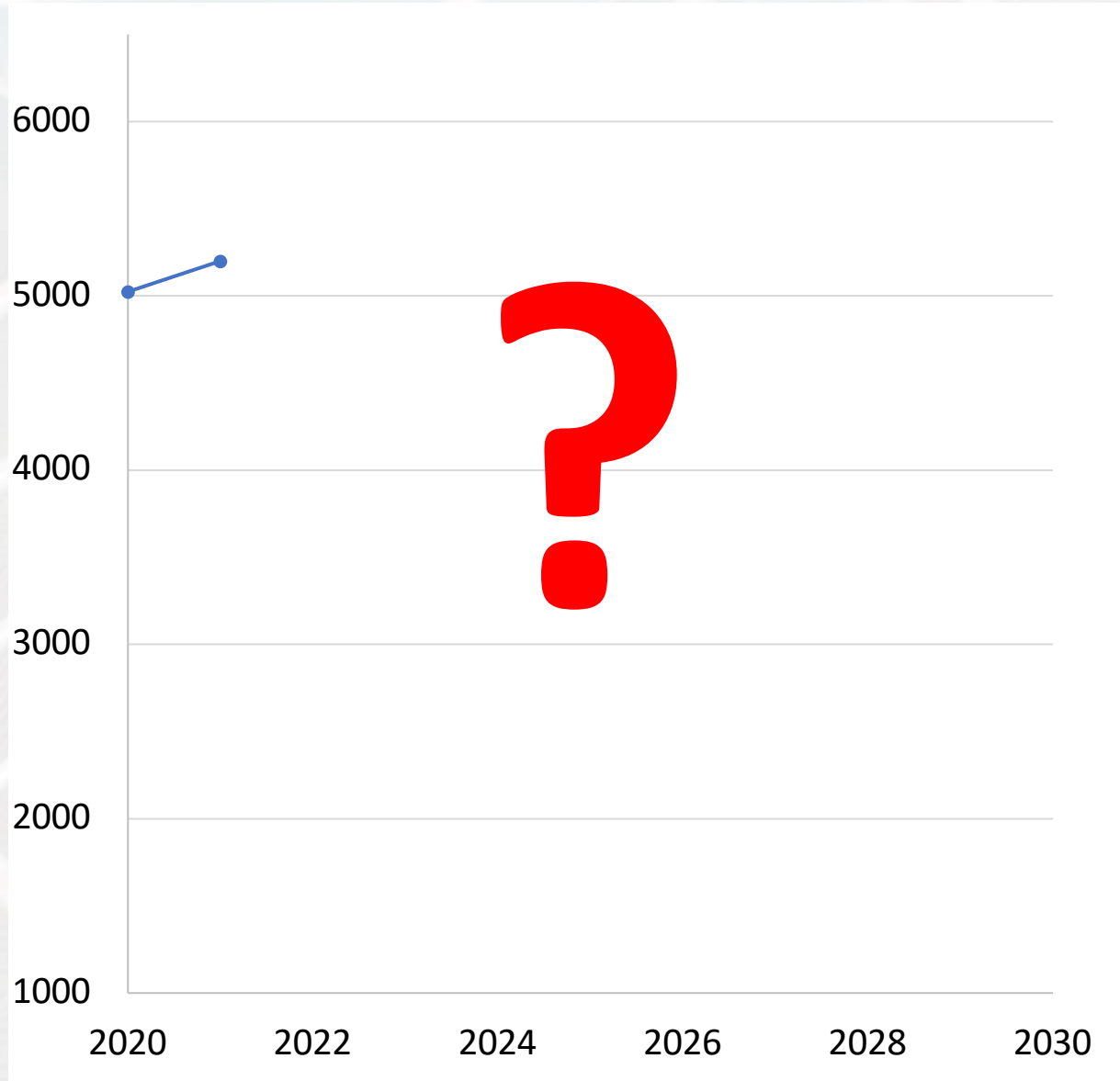
-60%

-Elimination of colistin

Growth: +46%.

Self-sufficiency: 214%.

Pig production in Spain. 2020 a 2030



Strategy: "From farm to fork".

Organic fertilisation

Animal welfare. Labelling

Sustainability:

- Economic

- Social

- Environmental

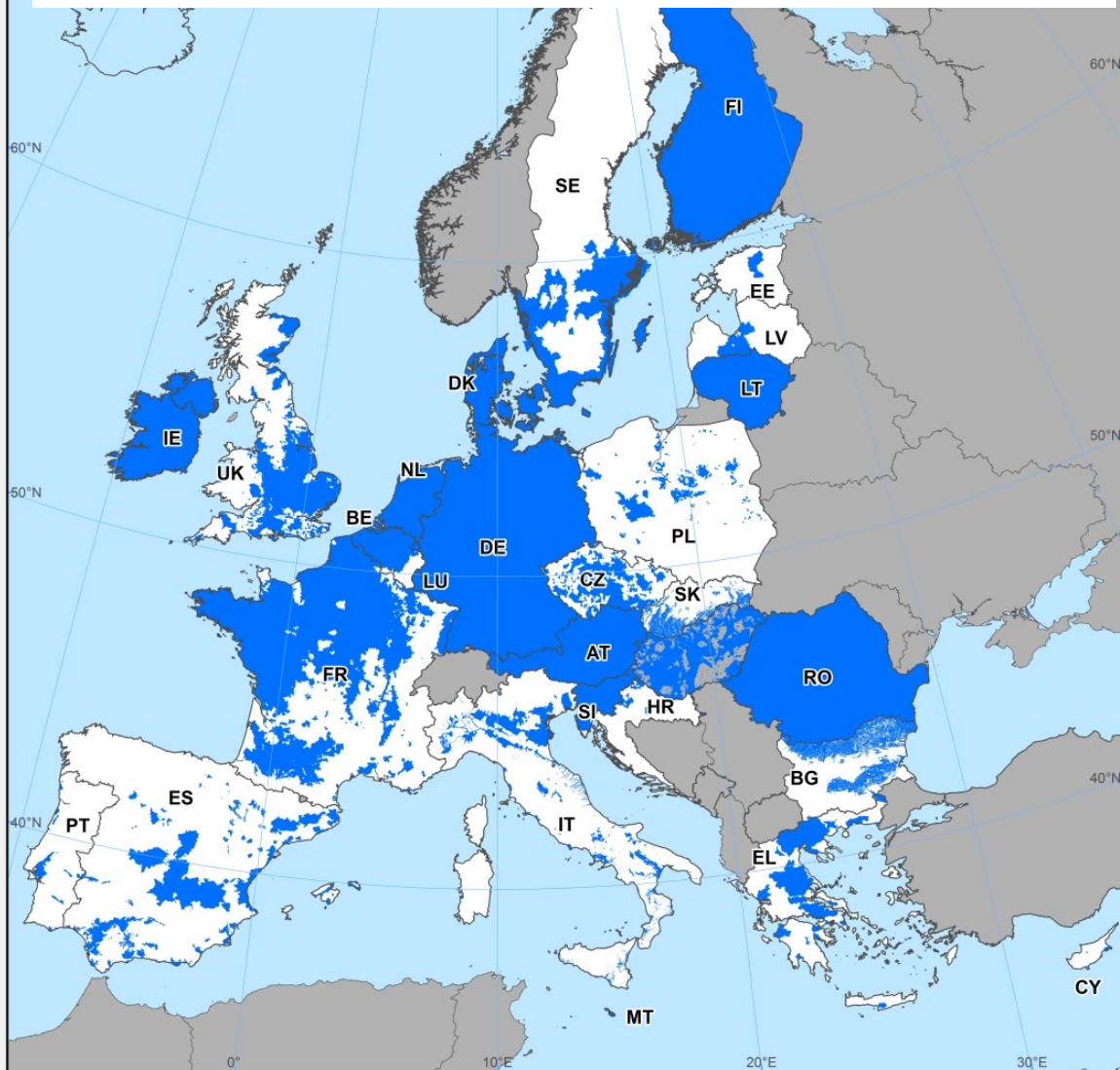
Reduction of antibiotics

Export added value

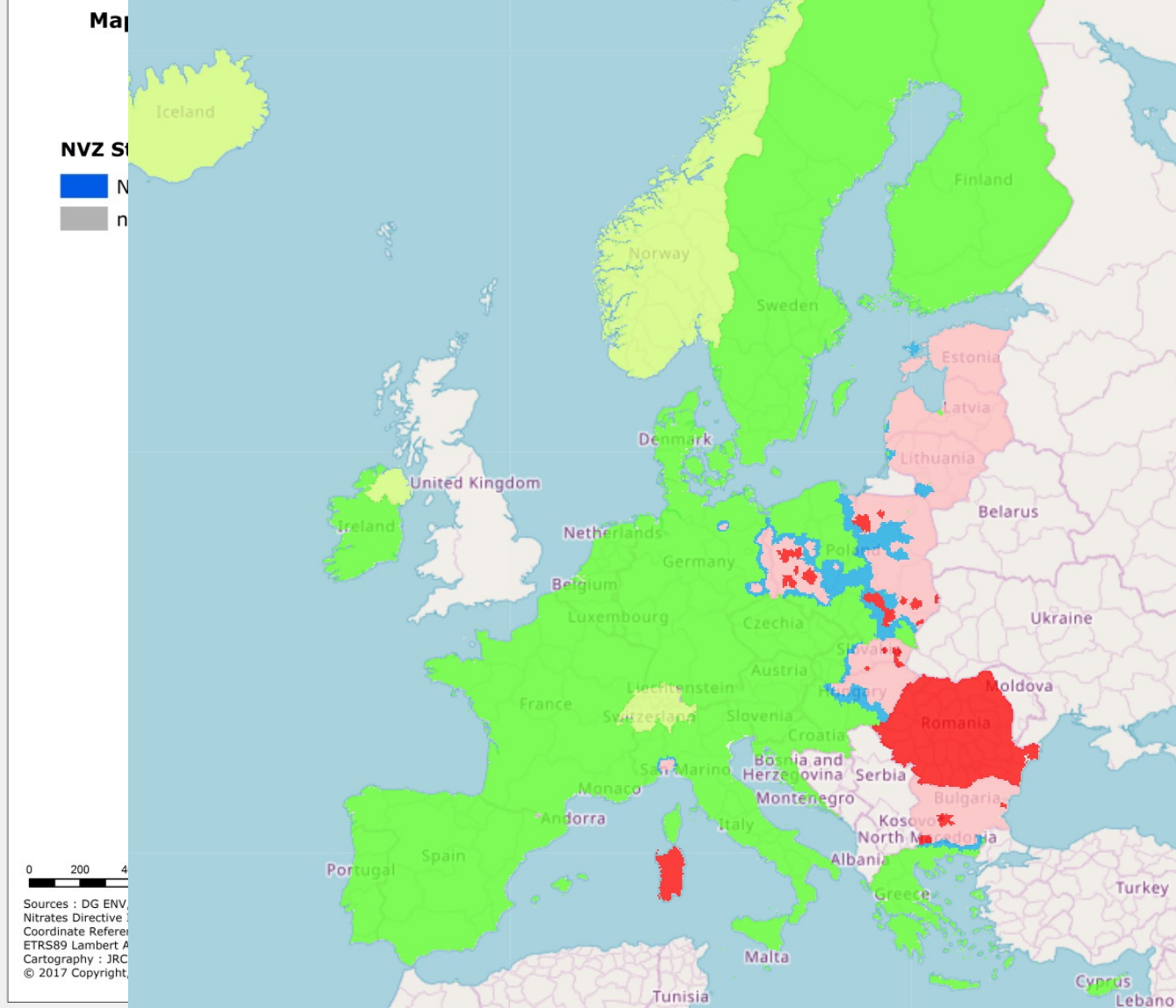
African Swine Fever: Regionalization
agreement UE-TC?

DIRECTIVA DE NITRATOS

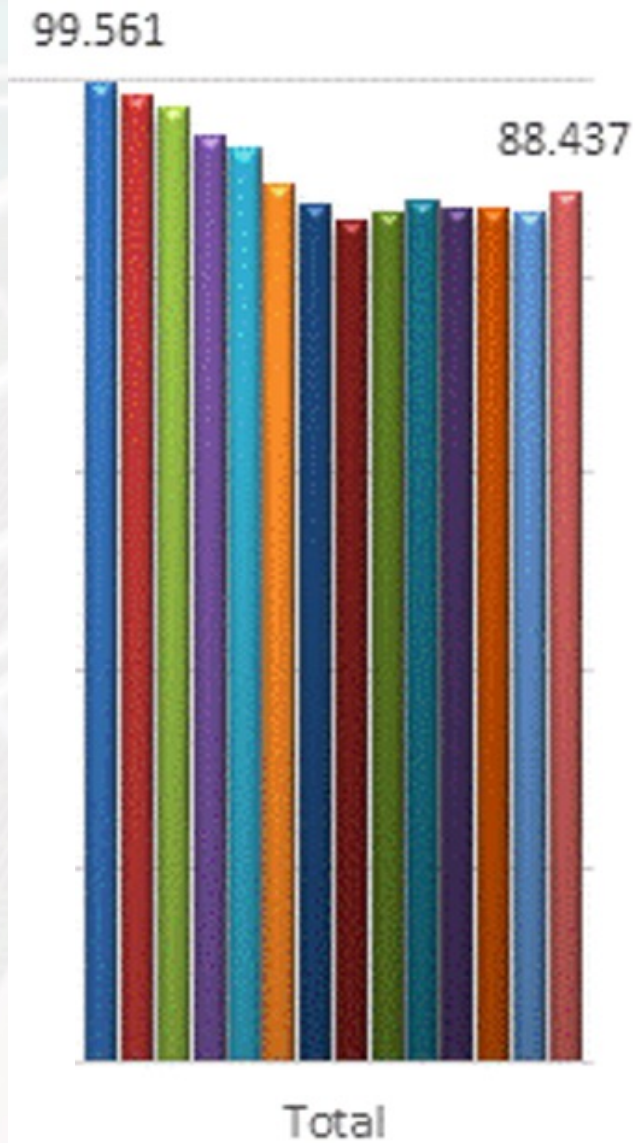
ZONAS VULNERABLES



PESTE PORCINA AFRICANA



NÚMERO DE EXPLOTACIONES DE GANADO PORCINO POR CAPACIDAD PRODUCTIVA: EVOLUCIÓN 2007-2020



Until the implementation of the AW regulation, reduction in the number of farms

2013

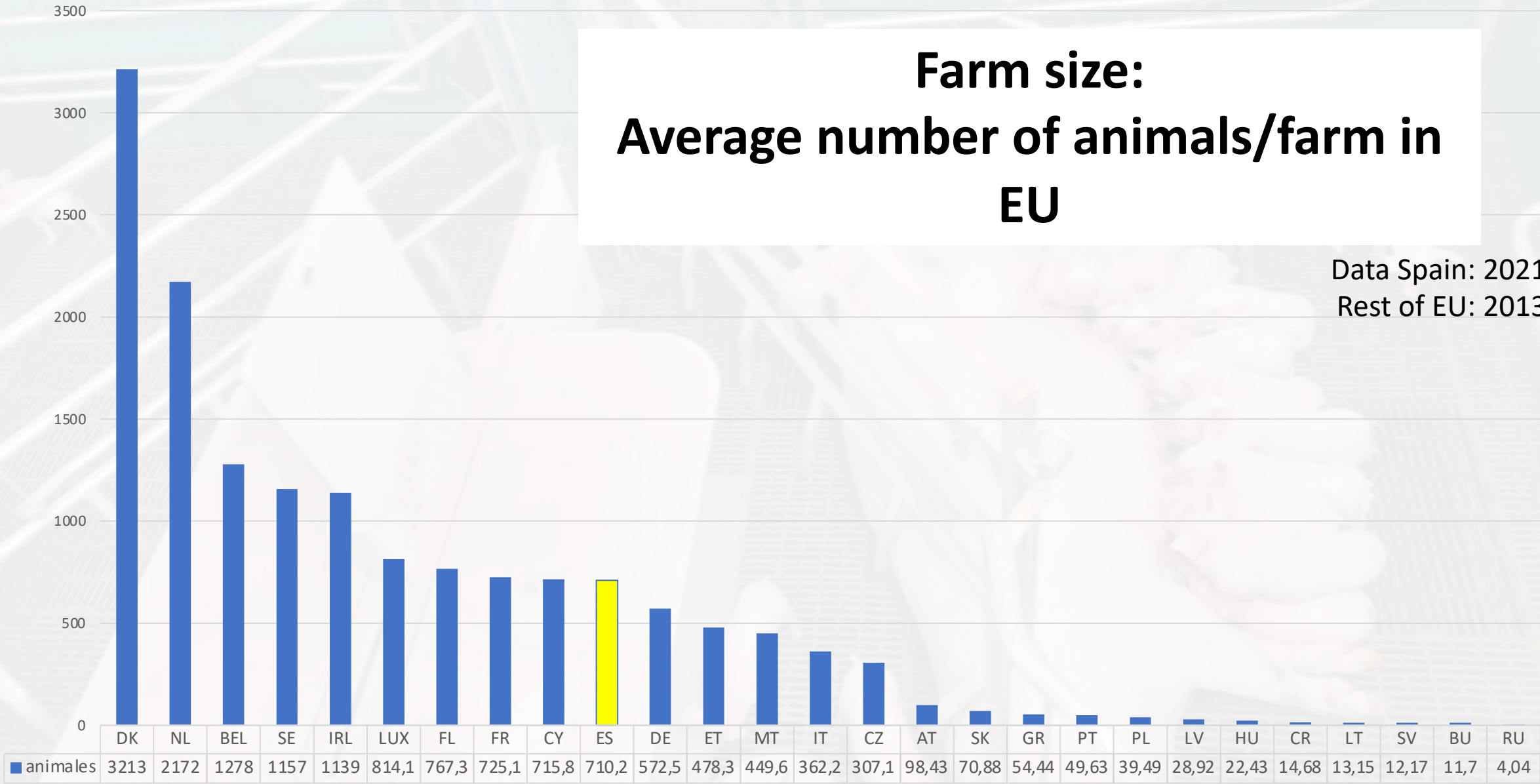
Directive 120/2008

AW regulations have stabilised the number of farms in Spain.

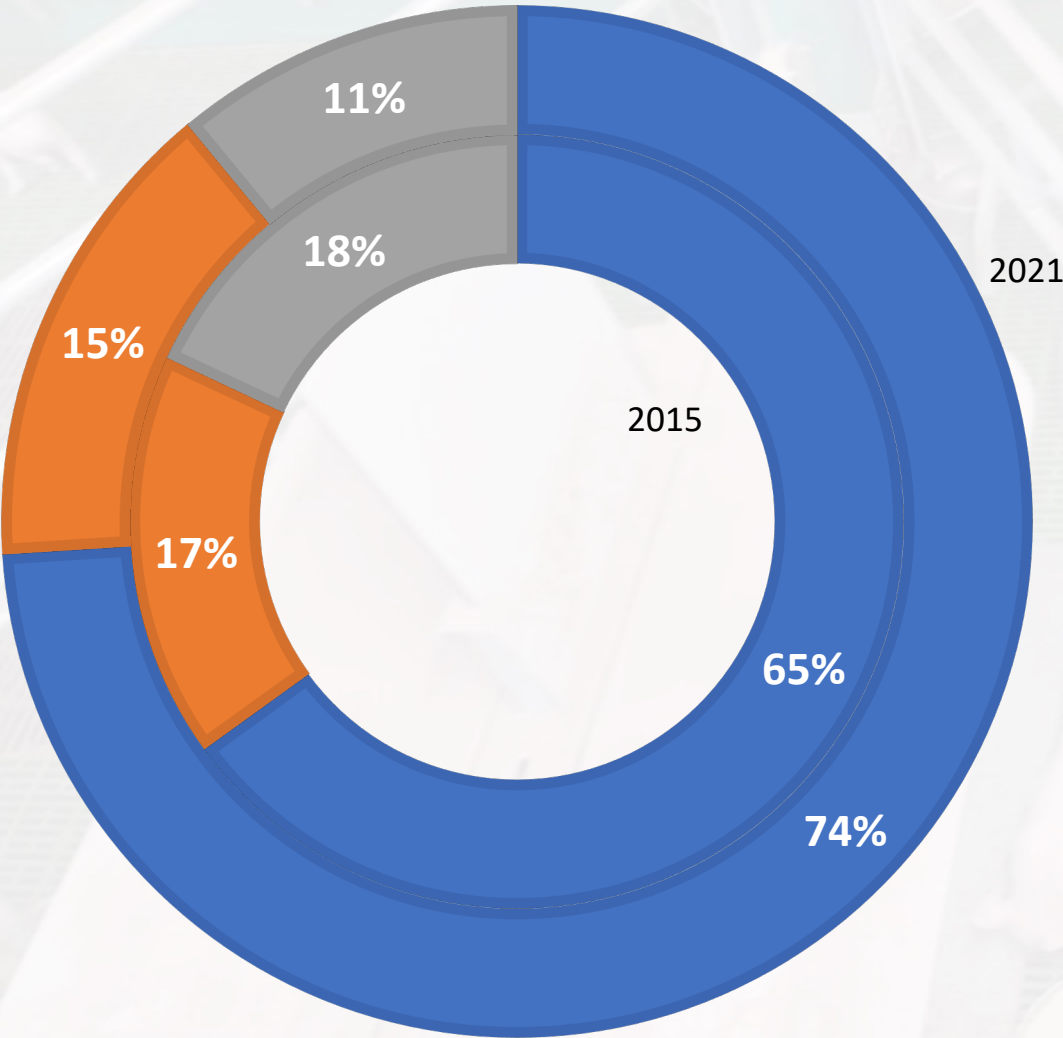
■ 2007 ■ 2008 ■ 2009 ■ 2010 ■ 2011 ■ 2012 ■ 2013 ■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018 ■ 2019 ■ 2020

Farm size: Average number of animals/farm in EU

Data Spain: 2021
Rest of EU: 2013



Evolution of business models in the pig sector

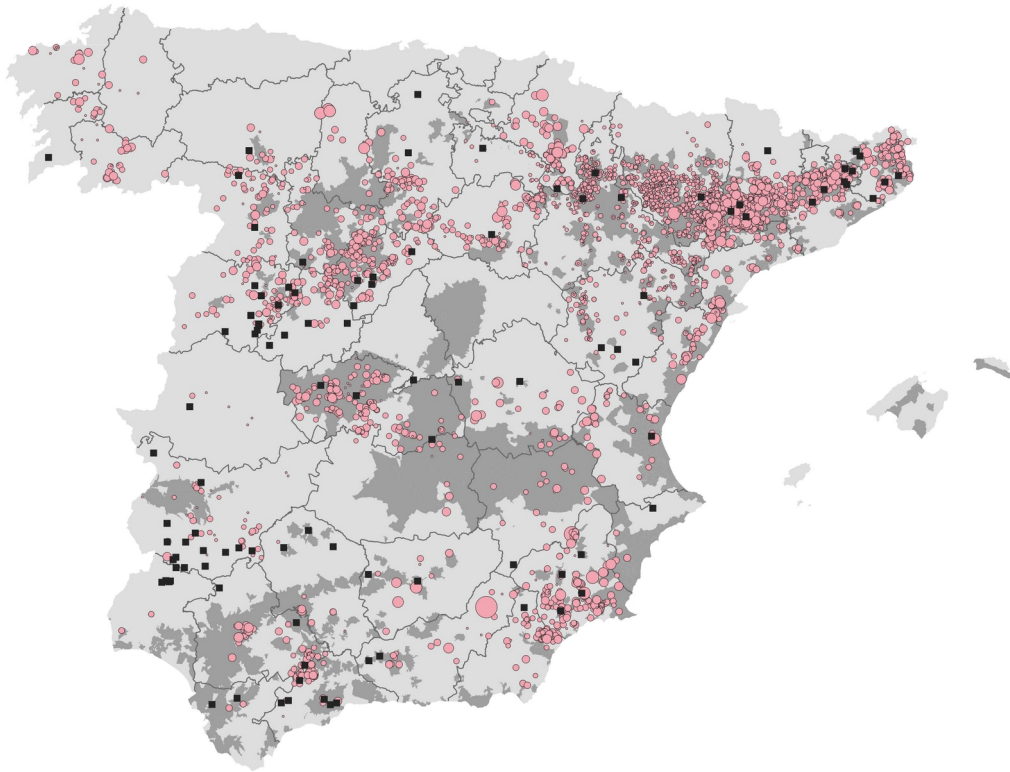


	2015 (%)	2021 (%)	Dif (%)
Integracion	65	74	9
Cooperativa	17	15	-2
Independiente	18	11	-7

- Integracion
- Cooperativa
- Independiente

The background of the slide is a faded, high-angle photograph of a ship's deck. It shows a network of white metal railings and walkways. A large, white, cylindrical lifebuoy is visible on the right side of the deck. The overall tone is light and airy, with a soft focus.

INTEGRATION



Granjas porcinas AAI

Mataderos

Zonas Vulnerables

Integrating companies in Spain

- 100% Family sized companies
- (exception: 1 multinational integrator from the Netherlands)
- The oldest ones are already in the 3rd generation of farmers. But there are integrators in 2nd and 1st generation of farmers.
- Evolution towards the industrialisation of pork

Integrated livestock farmers in Spain

- 100% Family businesses of different sizes
- Land-based.
- Need slurry to fertilise cereals
- With or without hired labour
- Generational changeover

Integrating company

- Animals
- Food
- Veterinary services
- Veterinary medicines
- Animal marketing
- Payment to the integrated farmer



Integrated livestock farmer

- Facilities
- Labour
- Energy / water
- Waste management.
- Carcass management
- Receives payment for the animals produced.



CVE-DOGC-B-20339033-2020

DISPOSICIONES

DEPARTAMENTO DE AGRICULTURA, GANADERÍA, PESCA Y ALIMENTACIÓN

RESOLUCIÓN ARP/3174/2020, de 3 de diciembre, por la que se hace público el modelo homologado de contrato de integración.

Integrated Livestock Farming. Additional elements

Payment according to integration contract:

- Piglets (mother farm): from 12 to 15 €/weaned piglet.
- Fattening: 14-16 €/pig produced

In addition:

- Feed. Conversion rate
- Mortality
- Antibiotic use
- Biosecurity

Other services provided by the integrator

- Visitors
- Vaccinators
- Loaders
- Cleaning and disinfection of facilities
- Floating team to cover breaks, holidays and sick leave

Integrated farmer:

Farm: 3,500 sows. Piglets production 6kg

Investment: 6.5 M €.

Amortisation: 10 years

Annual expenses:

Amortisation + interest rate: 675.000 €.

12 workers: 480.000 €.

1 Foreman: 60.000 €.

Other costs (manure, water, electricity, dead animals...) : 375.000 €.

Total: 1.590.000 €.

Integrated farmer:

Farm: 3.500 sows. Production piglets 6kg

Invest: 6,5 M €

Amortization: 15 years

Annual Incomes:

- $3.500 \text{ sows} * 32 \text{ w/s/y} = 112.000 \text{ piglets}$
- $112.000 * 15 \text{ (without pluses)} = 1.680.000 \text{ €}$

Results: + 90.000 € (with amortization/without pluses)

Integrated farmer:

Farm: 6.000 fatteners.

Invest: 1,8 M €

Amortization: 15 years

Annual Expenses:

- Amortization + interest rate: 125.000
- 2 Workers: 60.000 €
- Other cost (Slurry, Water, Electricity, Death Animals...) : 20.000 €
- Total: 205.000 €

Integrated farmer:

Farm: 6.000 fatteners.

Invest: 1,8 M €

Amortization: 15 years

Annual Incomes:

- 6.000 fatteners * 2,3 – (3%) = 14.000 slaughter pig
- 14.000 pigs * 15 = 210.000

Results: + 5.000 € (with amortization/without pluses)



Integration model

- 1.- Rigid or inflexible model in the short term. Depends on contracts
- 2.- Integrated livestock farmer has not entered more due to increased exports to China.



Integration model

For the integrated livestock farmer

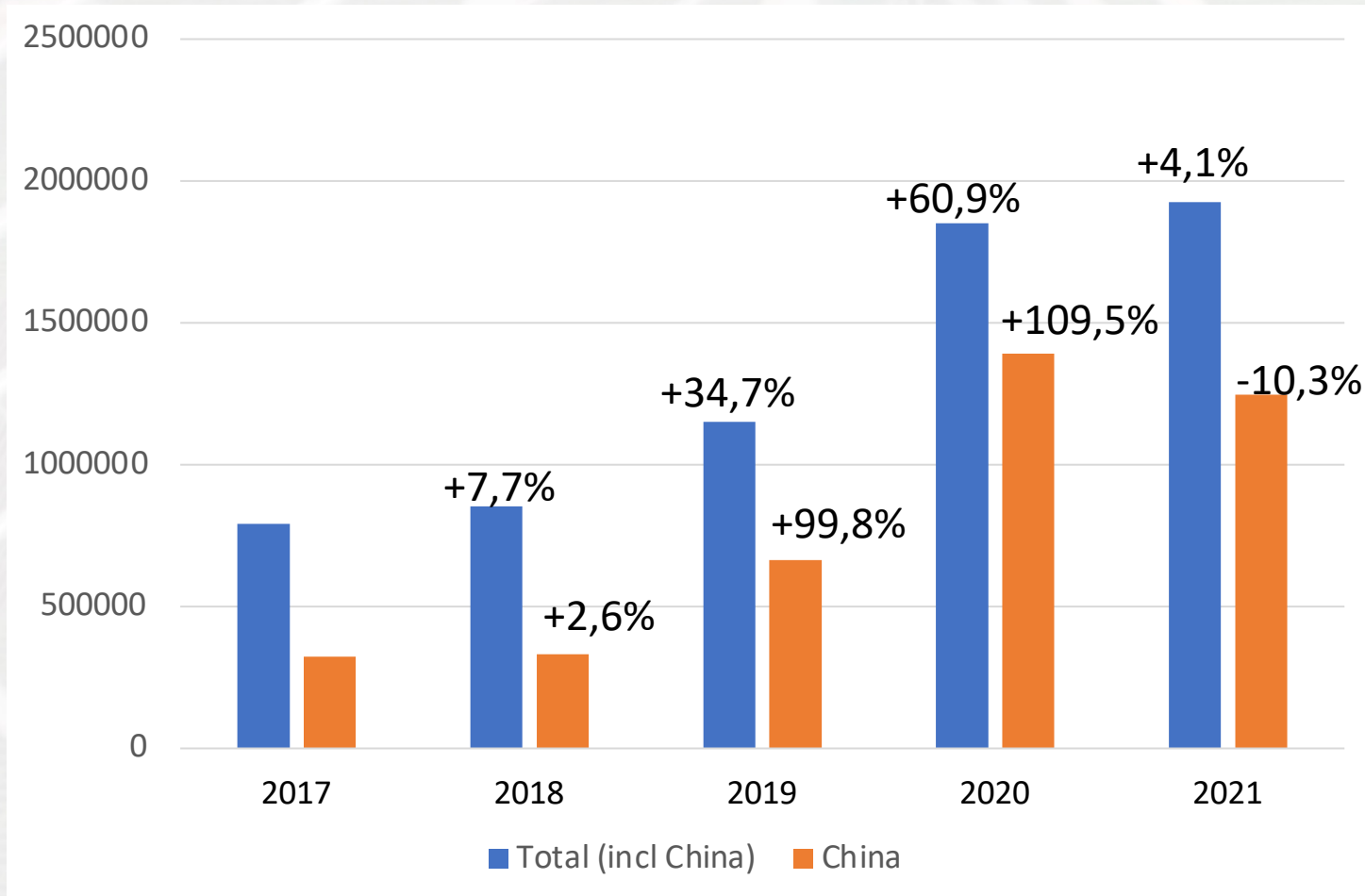
- 1.- Total profit security
- 2.- Very robust system that brings more reliability to the meat industry.
- 3.- Specialisation and professionalisation. The farmer does not have to worry about raw materials or sales prices. He only worries about the animals.
- 4.- Very stable employment. It boosts rural development.
- 5.- Use of slurry as fertiliser.
- 6.- Generational change
- 7.- Sanitary control

For the integrated livestock farmer

- 1.- Accompanied dimensioning
- 2.- Productive efficiency
- 3.- Economy of scale
- 4.- Virtualisation and structuring
- 5.- Market oriented production (international or national)
- 6.- Adaptation to the market
- 7.- Chain balance (by dimensioning)

Example of the strength of a verticalised system:

Exports to third countries



- In 2021 there has been a generalised loss of exports to China
- Spain has lost 10.3% of sales to China.
- This has been compensated by other destinations and the total has been an increase in exports to third countries of +4.1%.

Fertilisation needs

Spain: 50,599,000 Ha

Arable land: 17.000.000 Ha (76% rainfed and 24% irrigated)

N requirements (at 50 kg N/Ha) = 850,000 tonnes of N

Pig sector (2019) N production = 155,729.6 tonnes N
(only 18.3% of the needs are covered)

“From farm to Fork” strategy Reduction of fertiliser use

Vertical integration

- Guarantees the benefit to the farmer
- Ensures social, economic and environmental sustainability of the pig sector
- Very robust system
- System able to compete in external markets
- Market Confidence. Traceability through reducing number of suppliers
- Reduces the atomisation of production, balancing the chain.
- Allows to work in economy of scale
- Market oriented
- Specialisation of production



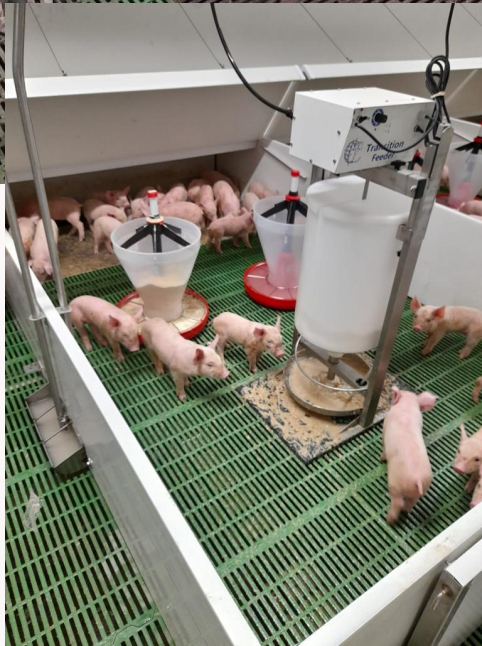
Junio 2021

2.400 cerdas con lechones a 20 kg



Sept 2021

3.400 cerdas con lechones a 6 kg



Duchas

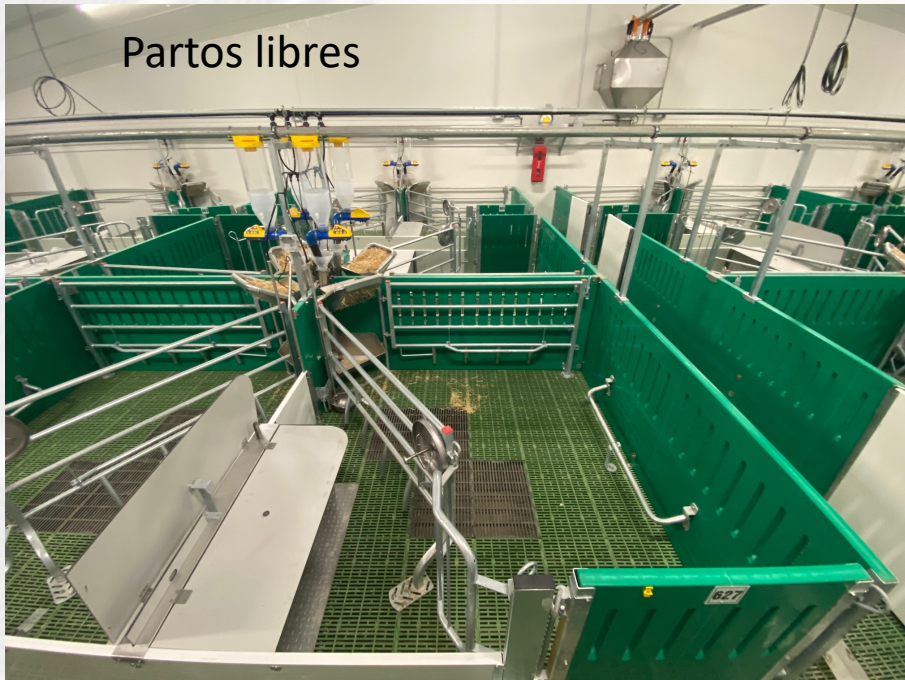


Tratamiento agua



Ene 2022
2.700 cerdas con
lechones a 20 kg

Partos libres



Geotermia

