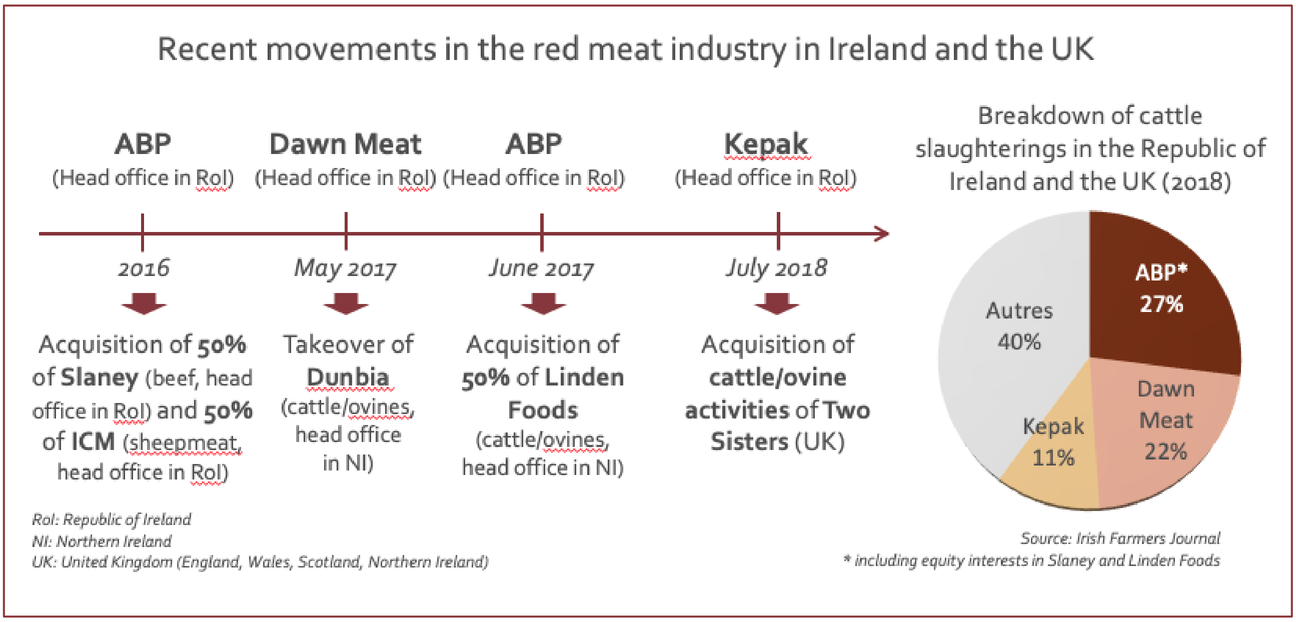
Unigrains – In Brief

A look back at 3 years of concentration in the red meat sector in the UK and Ireland



A new wave of concentrations that started in 2016 with the merger of ABP and Fane Valley's meat activities

A new wave of concentrations started in 2016 with the acquisition by ABP, Ireland's leading beef company, of a 50% stake in **Slaney Foods** and its subsidiary **Irish Country Meat** (ICM). Slaney Foods is the sixth-largest beef company in Ireland with 90,000 heads in 2017. ICM is the number one in sheepmeat in Ireland with 1.2 million heads in 2017. The company also owns a packaging plant in Belgium, A. Lonhienne. The deal was carried out through the purchase of the Allen family's shares, the remaining 50% being held by Linden Foods, a fully-owned subsidiary of the North Irish cooperative Fane Valley. The combined activities of ABP, Slaney and ICM account for 30% of cattle slaughterings and 40% of sheep slaughterings in Ireland.

One year later, ABP extended its partnership with Fane Valley by acquiring its 50% share of **Linden Foods**. This company, based in Northern Ireland, owns two cattle and sheep slaughterhouses (including one in England) and a meat maturing and packaging plant (Kettyle Foods).

ABP has a long-standing presence in the UK, where it is a preferred supplier to several retailers. According to the Irish Farmers Journal, ABP's business in Ireland and the UK, including its interests in Slaney and Linden, represents around 1.2 million cattle per year. ABP also has operations in Poland (the second-largest European beef exporter), a country where it has been looking for growth drivers since 2011 and where it now owns three slaughterhouses. The group, which is also active in pet food (C&D Foods) and in the recycling of cooking oils (Olleco), generates revenue of more than €3 billion.

Merger between Ireland's Dawn Meat and the UK's Dunbia in 2017

The merger between **Dawn Meat** and **Dunbia** made headline news in 2017. Based in Northern Ireland, Dunbia had been looking for new investors since 2016. In September 2017, the two companies signed a strategic partnership that resulted in the creation of a joint venture in the UK, majority owned by Dawn Meat, and the acquisition by the latter of Dunbia's production plants in Ireland.

The complementarities between the two companies are strong. In the UK, Dunbia is very focused on the English retail market. Dawn Meat has a significant export business and has close ties with McDonald's. Together, the two companies generate revenue of more than GBP1.8 billion (2016), with a slaughter volume of around 900,000 cattle and 2.6 million sheep per year.

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Like ABP, Dawn Meat has a long-standing presence in the UK, where it made several acquisitions in the 2010s and built a retail distribution plant in Wales. The group now has 10 factories in Ireland and 12 in the UK. It is also a 49% shareholder of Elivia in France.

The takeover of Two Sisters' red meat activities by Kepak in July 2018 marks a new milestone

In July 2018, **Kepak** announced the acquisition of the red meat activities of the English group **Two Sisters Food** (2SFG), consisting of four slaughterhouses: one in Scotland and three in the south of England, in Cornwall. With this deal, Kepak repositioned itself industrially in the UK. The group had sold the facilities it owned there at the time of the mad cow disease (BSE) crisis, except for a plant making processed products under the Rustlers brand. After the merger, Kepak's activity increased to 500,000 cattle and 1.7 million sheep per year, plus 350,000 pigs, for revenue of €1.5 billion.

With this deal, Kepak consolidated its supply chain for its customers in the British retail sector and secured the meat supply for its Rustlers-branded processed products plant.

This transaction also marked a new step in the 2SFG group's asset disposal programme. 2SFG, the leading poultry producer in the UK, started diversifying its activities from 2010, going into deli products, frozen food, biscuits, and then red meat with the acquisition in 2013 of the UK assets of the Dutch group Vion, which was in great difficulty at the time. However, 2SFG was weakened by a health scandal in a poultry factory in 2017 and is in a difficult financial situation. Its founder, Ranjit Singh Boparan, handed over the reins to a new CEO who has embarked on an asset disposal programme.

As a result of this new wave of concentrations, the three Irish red meat leaders, ABP (including Slaney and Linden's activities), Dawn Meat and Kepak, are strengthening their positions at national level and in the British market. These three groups now account for 60% of cattle slaughterings in the UK and Ireland taken together.

Why these movements?

Irish beef producers have long since developed their export business in the UK before moving into the country on an industrial scale, notably by buying up companies working closely with retailers.

This new wave of concentrations comes against a backdrop of great uncertainty linked to the UK's decision to leave the EU following the 23 June 2016 referendum. The Irish beef sector is both highly export-oriented (90% of production) and highly dependent on the UK: more than half of Irish exports go to the UK, which sources 70% of its beef from Ireland.

Since 2016, Irish leaders have been ramping up their industrial presence in the UK so as to have alternate solutions in place to cope with Brexit-related uncertainties and the multiple resultant risks: enforcement of customs duties by the UK, depreciation of sterling, strengthening of local supply in the English market and intensified competition from third country meat imports, impaired logistical fluidity with the reinstatement of customs checks and veterinary controls at the borders, just to cite the most important ones.

At the same time, they are seeking to reduce their dependence on the English market. This involves winning new markets, both in Europe and in third countries. Outside the EU, China is one of the target countries; Ireland was the first European beef exporting country to be approved by China in April 2018.

That said, developing new markets takes time. In the immediate future, Irish beef producers are concerned that, in the event of a hard Brexit, there will be a drop in exports to the UK, which would put the sector in a very difficult situation.