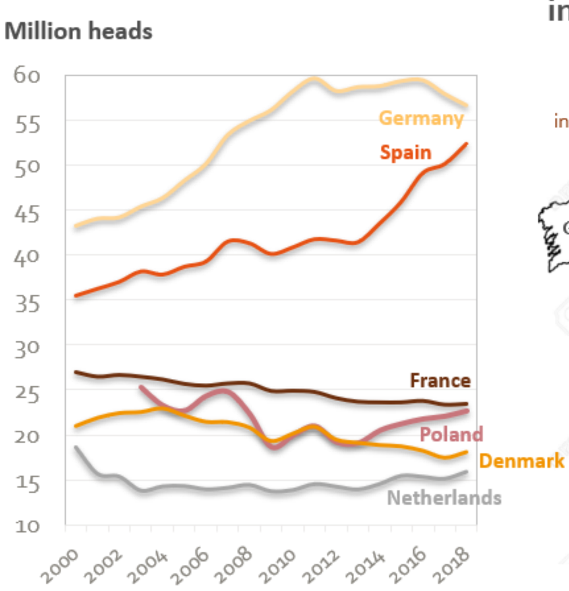
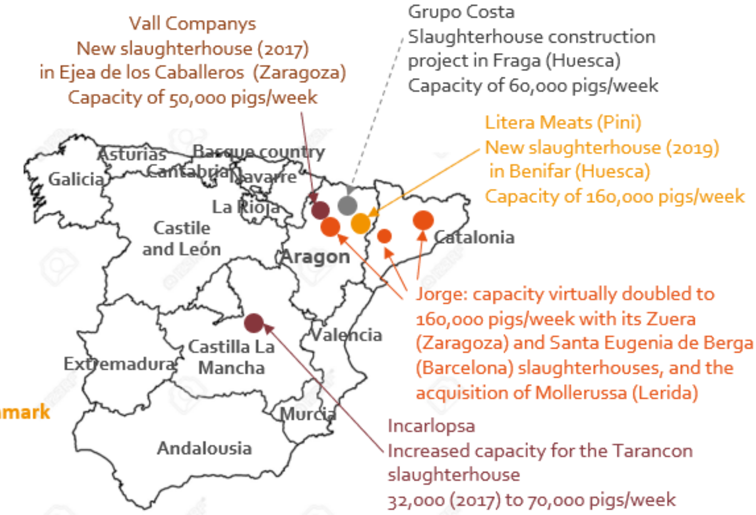
Unigrains – In Brief
Investments and the rise of leaders in the Spanish pork industry

Slaughter of pigs in the EU



Source: Unigrains based on EC

Main projects to create pig slaughter capacity in Spain since 2017



Source: Unigrains based on corporate websites and press sources
Capacities calculated on the basis of a five-day week

Speed-up of investments in slaughterhouses and cutting plants

The Spanish pork industry has undergone a huge wave of investments in the downstream side of the sector. The large majority of these investments are aimed at export, pursuing the strategy introduced in the sector ten years ago to generate new momentum after the financial crisis. That strategy has paid off: bolstered by its competitiveness on the international market, Spain now ranks fourth among world pork producers and is the third largest exporter.

Alimarket magazine identifies around 15 projects to construct or increase the capacity of slaughtering and cutting facilities. Spain has thus acquired some high-performance, high-capacity slaughterhouses and now has a dozen facilities able to process more than 40,000 pigs a week. There have also been investments in deep-freeze units to increase capacity for export to third countries.

Projects initiators are industry leaders, but also smaller operators in the sector, such as Famadesa, Cartesa and Copese. Even Incarlopsa, a company whose business is historically focused on supplying Mercadona (the leading grocery retailer in Spain) through a close partnership, has recently invested to expand its slaughterhouse with the aim of seeking export opportunities. Mercadona's new strategy to diversify its suppliers is not unrelated and has incited Incarlopsa to seek other markets without competing with its main client.

Also worthy of note – this time for its size and its proponent – is the project launched by Italian group Pini.

The arrival of Italian group Pini is a landmark moment…

Foreign investors are also being attracted to the buoyant Spanish industry. One highlight of 2019 is the commissioning of the slaughterhouse built in Binefar by Italian group Pini. This is the first large-scale foreign investment in the Spanish pig-slaughtering sector. Pini has spent €70 million on what is announced as the country's largest slaughterhouse and the second largest in Europe (with capacity of 7 million pigs a year), due to start up in the second half of this year.

This is a major geographic shift for the Italian firm, which has simultaneously sold its main industrial bases in Poland to China's WH Group. And its Spanish ambitions aim much higher: Pini is investing €12 million in a sow slaughterhouse at San Esteban de Litera (1,500 heads/week) and €50 million in a large-capacity dry-curing plant (3 million hams and 500,000 shoulders a year).

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VOS ENJEUX SONT NOS ENJEUX

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Aragón set to become more than self-sufficient in slaughter capacity

Having located its slaughterhouse in Binefar in the province of Huesca, Pini intends to process animals that would previously have gone from Aragón to Catalonia's slaughter facilities. Aragón is actually the leading pig farming region in Spain with a pig herd of 8.1 million and production of 14 million pigs in 2018, but historically hasn't enough slaughter capacity to process them (while Catalonia has surplus capacity).

However, this new facility plus the other large-scale projects finalised recently (Vall Companys in Ejea de Los Caballeros, Jorge in Zuera) or in the pipeline (e.g. the Grupo Costa slaughterhouse project in Fraga) will disrupt previous balances. According to the CITA (*Centro de Investigación y Tecnología Agroalimentaria de Aragón*), Aragón's slaughter capacity will triple between 2017 and 2020 to reach 20.6 million pigs, and could exceed the Autonomous Community's expected pig production at that date by 4 million heads, a situation likely to put pressure on live animals prices.

Leaders are on the rise, combining slaughter and secondary processing activities

Alongside these operations, external growth operations have been gathering pace, resulting in consolidation around some of the industry's largest players. These companies are fast moving into slaughter and meat cutting, while simultaneously seeking to rank amongst the leading companies in the white and Iberian pork processing business.

Jorge, the leading pork slaughtering company, has launched an overall investment plan worth €200 million over four years to virtually double its slaughter and cutting capacities. It has made a number of acquisitions, including the assets of the Sola group (its Mollerussa slaughterhouse in 2017 and its cutting plant in Gurb in 2019), and of MarcJoan in 2018 (meat cutting specialist).

Vall Companys ranks second in Spain's slaughter sector but first for live pig production. The group has become involved in secondary processing by taking minority stakes in different companies: Comapa 2001 (the Iberian pork processing leader) in 2014, Extrapernil del Montseny in 2018 and Embutidos Rodriguez in 2019. It may end up taking a majority stake in Comapa 2001, which is currently facing severe difficulties.

Piensos Costa, originally an animal feed manufacturer and pig farming business (number 2 in Spain), has been much talked about when recently developping a vertically integrated business model following the takeover of Toni Josep (2016, cutting plant in Vic and a stake in the nearby Esfosa slaughterhouse), and processed meats companies Casademont (2017), Carnicas Villar (2018) and Embutidos La Nuncia (2019). The group has also announced a €71 million investment project in a complex in Fraga (Huesca), which includes a high-capacity slaughterhouse.

The Cañigueral group, which owns the Costa Brava slaughterhouse and is active in the processed meats sector via Embutidos Monter, took over ham maker Far Jamones y Embutidos in 2016 and acquired the Martinez Loriente cutting facility in Cheste in 2017 and the TerFrisa plant in 2018.

Meanwhile, other market leaders have opted for organic growth. ElPozo in particular, one of the largest Spanish slaughtering and meat processing firms, based in Alhama de Murcia, is expanding its Iberian pork processing business, investing €70 million over two years.

While the Spanish sector remains more fragmented than the other major pig producing countries in Europe (Germany, France, Denmark and the Netherlands), its leaders now rank high among the main players in the pig slaughter industry.

Is Spain poised to take the lead in the European pig slaughter sector?

Since 2015, Spain has had the largest pig herd in Europe but remains behind Germany in terms of slaughter volumes (respectively 52.3 million and 56.6 million pigs in 2018 according to the European Commission). In addition to its own production, Germany imports live animals from the Netherlands and Denmark. However, the numbers slaughtered in Germany are falling (a drop of 2.8 million in two years) and the gap with Spain has narrowed from 17 million pigs in 2013 to just over 4 million in 2018; a trend that continues today.

France ranks third with a lower slaughter volume (23.5 million heads in 2018). This country has long been Spain's largest export market (15% of volumes in 2018, accounting for the full range of pork industry products), and Spain is its leading supplier (half of all volumes imported by France). However, over the past few years, Spanish sales have mainly developed in other European countries and above all to Asia.

Given the rapid growth in Spanish production and in a context of stagnating domestic consumption, Spanish industry players will continue to look towards export. In the immediate future, China offers a great deal of opportunities: the country has been hit by an African swine fever epidemic, which has decimated its herd and triggered high growth in import requirements; no one knowing exactly for how long… On the other hand, the virus is also present in Eastern Europe and Belgium and is a threat for Spain and the other major pork-producing areas in Western Europe.