AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

International Food and Agribusiness Management Review
Volume 15, Issue 2, 2012

VION Food Group: New Challenges

Martijn F. L. Rademakers

Managing Director, Center for Strategy &Leadership and Executive Fellow, Rotterdam School of Management, Erasmus University Rotterdam, Burgemeester Oudlaan 50, Rotterdam 3062 PA, The Netherlands

Abstract

VION, headquartered in the Netherlands, is a leading European meat processor and food ingredients company. Less than a decade ago the company surprised friends and foes by entering the industry through a series of large and well-timed takeovers that changed the face of the European meat industry. A new strategy for VION is needed, as competition in the meat industry is rapidly becoming global in nature and having a profound impact on the competitive dynamics in Europe. Major global players including Smithfield Foods (based in the USA), Brazil's JBS Swift, and Perdigão, are penetrating and expanding into European territory. New geographical markets for meat companies emerge in Eastern Europe and Asia. Meanwhile, incumbent competitors such as Danish Crown (based in Denmark) and Tönnies (Germany) are beefing up their competitive efforts, while many meat market segments in Europe have reached maturity. The diversity of distinctive and hard-to-copy strengths of major competitors confronts VION with much food for thought. For instance, a number of competitors (such as Perdigão) have important cost advantages over VION. Others enjoy a very strong supply base (such as Danish Crown), have outstanding technological capabilities, and own important genetic assets (such as Smithfield). Will the competition be able to set new rules of the game in the European meat industry? What strategy should VION pursue to maintain the initiative in changing the European meat industry, and stay ahead of the competition?

Keywords: teaching case, strategy, industry development, European meat industry

ⓟCorresponding author: Tel: +31.0.10-2179120
Email: m.rademakers@c4sl.eu

IFAMA Agribusiness Case 15.2

This case was prepared for class discussion rather than to illustrate either effective or ineffective handling of an agribusiness management situation. The author(s) may have disguised names and other identifying information presented in the case in order to protect confidentiality. IFAMA prohibits any form of reproduction, storage or transmittal without its written permission. To order copies or to request permission to reproduce, contact the IFAMA Business Office. Interested instructors at educational institutions may request the teaching note by contacting the Business Office of IFAMA.

© 2012 International Food and Agribusiness Management Association (IFAMA). All rights reserved

Introduction

Seven men in the eye of a hurricane – that is how to picture the spring 2008 strategy meeting when the executive board[1] of the VION Food Group (VION), headquartered in Eindhoven, the Netherlands, sat down to exchange thoughts and views on future strategies for the company. With a solid financial position **(Exhibit 1)** and more than 16,000 employees in 2007, VION is one of the largest meat processors in Europe, leading in fresh beef and holding 2nd position in fresh pork. The sales of VION, growing rapidly from a mere €760 million in 2002 to more than €7 billion euro in 2007, were expected to stabilize around €10 billion in 2008 after acquiring Grampian, one the UK's largest food companies.[2]

Daan van Doorn, CEO of VION, commented on the Grampian acquisition that:

> *"The combined (VION/Grampian) group will become a major player in the European food industry. VION holds a central position in the supply chain and translates market and consumer developments to the agricultural sector. VION thereby provides an active contribution to and investment in a sustainable future for the agricultural sectors in the Netherlands, Germany and the UK."*

The tranquility in the VION boardroom was in great contrast to the howling wind produced by a hefty storm outside. It did not go unnoticed that the storm formed a perfect metaphor for the dynamics of the international meat industry which VION, originating as a rendering operation, entered as a newcomer less than 5 years previously. With a series of well-timed acquisitions, VION has grown to be a leading meat processor in Europe. The industry dynamics, however, are generating ever stronger headwinds, particularly in the form of mounting competition from global players. Concurrently, although not discerned yet, the global economy was heading towards a severe downturn.

The battle for Europe's meat markets began during 2005, not long after the rise of VION as a leading firm in the industry. The competitive battling continued and seems to be accelerating in 2008. In search of growth markets, large global firms, including Smithfield Foods based in the USA or Brazil's JBS Swift and Perdigão, are penetrating and expanding into European territory. Neither are incumbent competitors such as Danish Crown in Denmark and Tönnies in Germany sitting still. So with VION still digesting part of the takeovers constituting the VION Fresh Meat division as a leading meat producer in Europe, the seven men in the boardroom are engaged in the ongoing quest for a robust, competitive strategy in an ever changing industry environment. The VION executive board members are keen not just to defend the company's position but also to move forward and grow in attractive market segments.

What should the executive board of VION do to secure the leading position of the company in the European meat industry? More in particular, which rules of the game are developing fastest

[1] Early 2008, the Executive Board among others includes Daan van Doorn (Chief Executive Officer), Ton Lammers (Chief Finance Officer) and Peter Beckers (Chief Strategy Officer).

[2] In 2008 VION acquired Grampian (2007 sales 2.5 billion Euro, 17.500 employees). The acquisition strengthened the position of VION in the UK markets for fresh pork, bacon, and sausages.

© 2012 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

in the meat industry and have to be followed, and which ones should be pro-actively changed or shaped in favor of VION to give the company an edge over the competition?

Ownership, Governance and *raison d'être of VION*

VION is a private firm owned by a single shareholder, the Dutch farmers union[3] ZLTO (The Dutch Organization for Agriculture and Horticulture, Southern Region). By 2008, ZLTO could register more than 18,000 members, of which 30–40% are livestock farmers. For more than a century the organization has been furthering the interests of its members (farmers and horticulturists) particularly in the levels of income and business continuity (**Exhibit 2**).

The VION governance structure is designed to secure a high degree of management discretion on the owner side. Apart from the demand that company activities be consonant with the ZLTO mission, i.e. furthering the long-term interests of its members and securing a steady stream of dividends, it is VION's Executive Board running the company and setting the strategy.

To keep a clear division line between the company and the farmers union, a multi-layered governance structure was put in place, including a trust office between ZLTO and VION. The VION supervisory board includes 4 members from the outside and 4 who represent ZLTO, a composition that balances strategic influence between this single shareholder and the VION executive board even further.

The lines of separation laid down in VION's governance structure enable ZLTO to act as a strategic shareholder with influence on long-term developments only, while the executive board runs the company shielded from short-term political dynamics within and around the farmers union. The structure also protects against potential conflicts deriving from the supplier relations between VION on one hand and livestock farmers with ZLTO membership on the other.

The VION *raison d'être*, i.e., the ultimate intended impact of the company's strategic actions, is to secure long-term market demand for goods produced by farmers in the Dutch agricultural complex. At the time of VION's strategic transformation in 2005, the chairman of ZLTO and supervisory board member Anton Vermeer expressed that vision:

> *"A healthy meat processing industry is a prerequisite for long-term survival of the livestock farmers. It is an indispensable layer linking the primary production system on the one hand and the industry for food distribution and retail on the other."*

The leadership position of VION in the market for fresh meat in the Netherlands and Germany, placed against the backdrop of the above statement, can be seen as a way to secure a sustainable market for cattle farmers in the Netherlands. The key defense mechanism against attacks on their market by foreign players is a set of seemingly unchangeable rules of the game in the fresh meat industry[4]. First, high-quality fresh meat is highly perishable and therefore cannot be transported

[3] ZLTO is a farmers union (aimed to further interests of farmers), and NOT a cooperative.

[4] It should be stressed here that these rules of the game are true for fresh meat only. For frozen meat and meat products, the situation differs, as these products are less perishable and better transportable over long distances – in the case of frozen meat, even from continent to continent.

© 2012 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

over long distances in an economically viable way. New entrants would have to buy market share by taking over meat production plants in VION's own backyard. The alternative, namely to set up new fresh meat production plants in a highly mature industry, is not considered to be a viable option. Second, supermarkets and food service clients demand just-in-time delivery, which also hampers long-distance transportation of fresh meat and increases both the complexity and long-term nature of buyer-supplier relations.

In addition to the above, it can be argued that furthering the development of the Dutch meat processing industry alone will not be enough. The Dutch agricultural sector at large is facing the challenge of securing demand for their goods in a globalizing food industry with ever fewer and larger international players on the processing and retail side who are driving cross-border competition.

Company History

VION originated as an animal by-products processor in the 1930s, expanded the business via takeovers in the 1980s, branched out in value-added products based mainly on gelatin in the 1990s, and made a massive move into the meat industry in the period 2004–2005[5]. On July 1, 2006, the company gave itself a new name, switching from SOVION to VION Food Group. This marked the completion of the strategic transformation from an animal by-products processor, gelatin and drug delivery company with €760 million sales in 2002 towards a leading, €7.1 billion company in the European meat industry by 2007. That was not an easy journey. The commonly accepted view at the time was that the ailing meat industry in the Netherlands was just about to collapse, along with parts of the German meat industry. As illustrated by CEO Daan van Doorn:

> *"Five years ago banks were not willing to invest in the meat industry, which made it difficult to find the required capital to pursue our strategy."*

By contrast, newspapers have devoted whole pages to VION since the turnaround and the company has received nominations which include Best European Entrepreneur of the Year, and Growth Strategy of the Year.

In 2008 major activities of the VION corporation revolve around the markets for beef, lamb and pork (approximately 86% of annual turnover) in Western Europe, driven by a business that encompasses slaughtering and meat processing. At the same time, the company is expanding into the convenience food business, while remaining active as a leading and growing European firm in animal by-products processing, and as a worldwide leading player in the gelatin business **(Exhibit 3)**.

VION Corporation: Three Divisions and a Business Unit

VION consists of three divisions (Fresh Meat, Ingredients, Convenience) and one separate business unit (Banner). The principle at corporate headquarters is to provide the divisions and their business units with a high level of autonomy under strict financial control.

[5] For more details, see the business case "*Sovion NV: Reshaping the meat industry in Europe*", August 2005.

© 2012 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

The basic idea is to enable the units to respond optimally to market and industry developments and keep corporate overheads as low as possible.

VION Fresh Meat: Active in processing, producing and obtaining economic value from meat products (pork, beef and lamb), VION Fresh Meat employed 6,447 persons in 44 operating plants and 14 country offices in 2007, realizing a turnover of €5.4 billion. The Fresh Meat division operates worldwide, with meat processing plants concentrated in the Netherlands and Germany, and with sales offices all across Europe plus one in Australia. Key customers served by the division include *retailers* (such as Ahold, Wal-Mart, Aldi, Metro Group, Carrefour and Tesco), *food service companies* (such as Burger King and McDonald's), and the branded *food industry* (including Unilever and Nestlé). The VION Fresh Meat strategy is largely focused on margin-driven growth in the Dutch, German and UK markets, and increased export to Italy, France, Spain, Greece, Eastern European countries, the USA and countries in Asia. In line with the corporate philosophy of high business unit autonomy and market responsiveness, VION Fresh Meat and the constituting business units are linked with the other VION divisions and businesses on a pragmatic and transactional basis. VION has put the newly acquired Grampian into a new division, VION UK. This division is managed from the UK and led by executive board member Ton Christiaanse. In the UK, VION currently has four business operations. Key Country Foods is a major UK retail bacon processor. VION also holds a majority share in J&J Tranfield (acquisition of majority of shares in beginning of 2008), a leading supplier and manufacturer of pizza and sausages. VION Food UK Ltd is responsible for the sales of bacon, fresh pork, beef and convenience products to the UK market. VION company Oerlemans Foods, belonging to the VION Convenience division, offers fresh frozen vegetables, potato products and fruit through the UK sales office.

VION Ingredients: With 62 operating plants around the world, 5 international offices and 4,512 employees, the Ingredients division achieved a turnover of €0.7 billion in 2007. The VION Ingredients division is the European market leader in blood products and animal proteins. Business units of the division include Sobel, Rousselot, and Sobel 5Q. The Sobel business unit, operating in the animal by-products industry, includes Rendac (collecting and processing fallen stock and other risk-involved animal by-products), Sonac (producing and selling ingredients from animal-based raw materials), and Ecoson (producing biofuels from slaughter by-products). Rousselot is the second largest gelatin producer in the world with a market share of 19% behind the number one Gelita which had a 24% market share in 2007. Rousselot gelatin is used by clients in the food and pharmaceutical industries, and the adhesives and photo paper industries among others. Sobel 5Q is a business unit which coordinates the sale of slaughter by-products originating from all VION operations. The VION Ingredients strategy is aimed at consolidation of its leading positions in the market for fat in Europe and blood products in China, strengthening of the Sonac position in natural casings, and expansion of Rousselot (gelatin) in South America.

VION Convenience: This division concentrates on the development, production, and marketing of meat-based convenience foods and also non-meat foods including fish, vegetables and vegetarian products**.** In 2007 the division achieved a turnover of €1.2 billion with 3,884 employees, 30 plants and 14 international offices (shared with the Fresh Meat division). The seven business units of the division include Frozen Retail, Frozen Vegetables, Processed Meat & Chilled Food, VION Retail NL (serving retailers with customized food products and services),

© 2012 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

Pre-packed Fresh, Food Service and Tranfield. The strategy of this division revolves around innovation, consolidation and optimization of the brand portfolio, and further development of market research and intelligence. VION Convenience aims to further internationalize its product portfolio via sales offices, and the division is expected to double its sales to about €2.5 billion within the next five years.

Banner is a separate business unit, prominent in the development and production of gelatin and non-gelatin based oral dosage forms for the pharmaceutical, food supplement and cosmetics industries. The business unit is mentioned separately since it no longer fits in with VION's aim to be market leader (top 3) in selected market segments. The money that can be made by selling Banner can be used for further acquisitions.

European Meat Industry Wisdoms

The meat industry receives serious attention from observers and analysts working for governments, EU offices, universities, journals, consultancies, and also the leading meat companies, who try to understand what is going on in the business and where it is heading. From the vast stream of information, thoughts and opinions, five major industry wisdoms can be distilled which seem to drive strategic thinking in the contemporary European meat business.

1. *Food retail is leading and consolidating, food suppliers need to follow*. The retail consolidations are outpacing those of food processors and producers. The retailer bargaining power increases due to these consolidations plus the strength of their private labels or store labels, so they have alternative resources for purchasing, and they are able to negotiate favorable prices due to large volumes[6].

2. *Bigger is better in meat production.* The meat industry is largely a commodity business where economies of scale and high volumes drive costs down, particularly in slaughtering.

3. *The pressure on margins remains high*. Competition in the meat industry is intense and is intensifying further, among other reasons due to the increasing export power of Brazilian meat companies, the aggressive price policies of producers operating from relatively low-cost countries within the European Union, and the rising strength of the euro over the dollar and other currencies. Further pressure on margins is caused by rising costs to secure food safety, preventing and fighting cattle diseases, as well as societal pressures for natural environment protection measures and animal welfare. On the other hand, margins can be improved or sustained through processing slaughter by-products into value-added products.

4. *Future growth of demand is in value-added food propositions*. Differentiation is believed to be an escape route from the current commoditization trap, but most meat companies in Europe have problems distinguishing themselves from their competitors. They use similar production methods, of course leading to products with almost identical quality and taste. In this light, it is relevant to note that fresh meat is a 'must-have' item for supermarkets, and on-time delivery and freshness is at least as crucial as a good price.

[6] Competitiveness of the European Food Industry, EU report, 2007.

© 2012 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

5. *Access to a stable pool of farmers able to supply both good quality and quantity at a competitive price is the bedrock of the processor's value-adding processes*. Farmers, however, tend to be suspicious of the attempts by meat firms to work on a partnership basis with them instead of trading for cattle and pigs on a spot-market driven, transactional basis with a focus on price. This hampers the attempts of meat processors to enhance the performance of farmers.

Considering that a majority of the meat companies in Europe have these five wisdoms on their radar screen, an important question is, which competitors will be able to take advantage of those forces by acting upon them, and how? Which competitors will be best in playing by the rules of the game in this industry? Which competitors will be able to bend the rules in their favor, or set new ones?

The Competitive Landscape of the European Meat Industry

A glance at the meat industry in Europe from a bird's eye view shows a crowd of global, national and local companies (Figure 1). Some are consolidating their positions, some are struggling, and others have a foothold for further expansion.

Figure 1. A Bird's Eye View of the Meat Industry in Europe
Source. VION Company Presentation, 2007

European meat firms generally focus on slaughtering and processing, whereas most companies from other continents also incorporate downstream activities such as farming and sometimes even genetics. The worldwide operating meat firms **(Exhibit 4)** differ in terms of species they

© 2012 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

process. Most companies, however, have pork and beef in their portfolio. The competitors also differ in the levels of integration of their value chains, ranging from genetics and cattle breeding to convenience food manufacturing (**Exhibit 5**). A third key difference is the ownership structure, including cooperatives (e.g., Danish Crown), publicly listed firms (e.g., Smithfield), and privately held companies (e.g., VION). All global meat competitors with operations in Europe show a solid home base, while increasingly seeking market opportunities overseas.

Pork: Regarded from a global perspective, seven out of the top 20 pork producers are European companies operating from their domestic regions, while eight of the largest producers are US-American, four are Brazilian, and one is of Chinese origin **(Exhibit 6)**. Looking at 7 large European pork producers and with non-European competitors moving in, the European pork business is becoming quite crowded, and that is driving increasingly strong competitive pressures. Seen in this light, consolidation is likely to progress on a Europe-wide scale. The world's top 3 pork producers, Smithfield Foods (USA), Danish Crown (Denmark) and VION are competing both for access to European customers and to the suppliers. Danish Crown is the largest fresh pork processor in Europe with a 10.7% market share in 2007, with VION following in a close second position (8.9%), and the German Tönnies placing third (4%). Smithfield Foods, considered the world's number 1 pork producer, entered the European market in 2005, starting up and acquiring operations in Romania and Poland. Meanwhile, they have built positions through acquisitions and joint ventures in Spain and France, with some smaller operations in the UK and the Netherlands.

Beef: VION became the European market leader in fresh beef, with a 7.4% market share after acquiring a 50% stake in the Germany-based Südfleish in 2007. Second largest in Europe is the Irish Food Group, operating 23 processing plants and realizing a turnover of around €1 billion in 2007. Cremonini, a leading beef processor in Italy, is the third largest player in the European beef scene. In 2007, Cremonini's beef processing company INALCA was acquired by the Brazil-based JBS Swift, the world's largest beef producer entirely focused on beef activities. By contrast, the USA-based Smithfield Foods has divested all beef activities, selling their beef unit to JBS Swift for USD 565 million in cash in March 2008.

Lamb: In the less crowded and much smaller market for lamb meat, JBS Swift is VION's main competitor**.** The key players in this market are well established in geographical territories which have high entry barriers that, in turn, are rooted in the land-bound nature of lamb production.

The VION Meat Strategy

The VION Fresh Meat division has the bulk of its activities geographically focused in the Netherlands, Germany, and, after the acquisition of Grampian, also the UK (**Exhibit 7**). The driving philosophy is to be market leader (in pork, beef and lamb) through margin driven growth and increased exports to the UK, Italy, France, Spain, Greece, Eastern European countries, the USA, and Asia. To achieve this, VION stays close to its strengths: building and maintaining durable relations with farmers and customers, exploiting the core capability of growing through acquisitions and turning the acquired processing companies around. Moreover, expanding and developing capabilities to thrive in differentiation-driven business, as opposed to low-cost activities, is high on the managerial agenda. In tune with this, the VION Convenience division

© 2012 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

assists VION Fresh Meat in the ongoing search for new products. Innovation, receiving top management attention since 2005, can be considered to be another spearhead. As VION's Chief Strategy Officer Peter Beckers puts it:

> *"In generics innovation is possible as well.*"

Apart from defending the relatively stable meat business activities in Europe through cost cutting, and seeking growth through ongoing innovation of processes, technologies and propositions to customers, it has been no secret that an important part of VION's future growth will be realized through acquisitions and joint ventures in the meat industry. According to CFO Ton Lammers:

> *"VION has a war chest of €150 to €200 million for future acquisitions, and more capital will become available with the projected divestment of Banner."*

Adding value to slaughter by-products can also deliver financial advantages for VION and reduce the pressure on fresh meat margins. On top of that, VION acquisition power can be boosted even further, as CFO Lammers explained in a 2007 interview:

> *"On Earnings Before Tax Depreciation and Amortization (EBITDA) of almost €300 million, one can borrow over €1 billion*."

The question remains, where should VION seek value-adding takeovers and what is the right timing, given the competitive situation? In case opportunities in beef and pork processing run out in Northwest Europe, VION would not be short of options. New opportunities lie ahead both in Southern and Eastern Europe, and in meat business based on other species.

Looking Ahead

With the European meat market under siege of leading global protein companies, and stiff competition from within, VION executive board members tend to take the emerging industry dynamics as a source of new opportunities for VION. However, there are concerns as well. The diversity of distinctive and hard-to-copy strengths which VION faces in major competitors confronts the company with much food for thought.

For instance, Smithfield Foods is well-geared for competing on costs when it comes to pork processing, as the company is known to run a highly efficient, low-cost business model, driven by high levels of supply chain integration (including farming), large scale, and focus. Their business model based on full vertical integration has been honed over the past decades. Yet they are successfully branching into convenience food. Also growing turkey in their domestic USA market, and with robust bridgeheads vested in Eastern and Southern Europe, they may begin competing in the northwestern regions of Europe at some point in time. Being a publicly listed firm, Smithfield enjoys access to relatively cheap capital for takeovers.

Brazil-based companies are also eagerly seeking chances to increase their stake in Europe. Sadia, the biggest poultry producer in the world, has shown interest in taking over European meat

© 2012 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

companies, together with another Brazil-based food company called Perdigão. Moreover, the JBS-Inalca joint venture established in Italy in 2007 has provided another Brazilian giant with a firm foothold in the European Union. The Brazilian competition has the advantage of very low-cost domestic production, a huge unexploited potential for exports, and economies of scale – both in terms of production, sales power, and capital for takeovers. As an illustration of the Brazilian cost advantages over their European counterparts: in 2007, the production costs of one kilogram of pig meat were on average €1.50 in the Netherlands versus €1.08 in Brazil (2004 cost prices corrected for feed price increases). If and when the European Union allows the import of Brazilian meat, this could have serious consequences for VION.

Closer to home, Danish Crown cooperative, enjoys substantial advantages from stable and high-quality supplies on the basis of mutually attractive purchasing arrangements with livestock farmers who are members of the cooperative. As a consequence, the company is likely to be well-geared for competing both on differentiation and cost through smart inputs into its processing activities. Danish Crown, however, is also known to operate with low solvency levels, driven by limited market conformity when it comes to the price they have to pay for members' supplies.

Considering VION amidst its competitors, some industry observers take the distinctive VION ownership structure as an advantage. Having ZLTO as a single shareholder allows for a long-term strategy, rather than a focus on quarterly profits. The farmers, though, are not de facto supplying VION. Tönnies, a privately owned German company, competes with VION for supplies. As a consequence, VION cherishes both the capabilities and the attitude required to live up to the daily challenges of a free market setting on the supply side.

Being part of a multi-business corporation, though loosely integrated, provides the VION Fresh Meat division with potentially distinctive strengths through cross-business synergies. VION, however, has yet to develop the synergies that could make a difference in terms of outperforming the competition. For example, VION is likely to enjoy benefits from a closer touch and better grasp of consumer market needs through the Convenience business relations.

But none of these advantages are strong enough, distinctive enough, or difficult for competition to copy. None of these will secure a long-term sustainable position in the European meat industry by default.

The storm outside the office building was not their greatest concern as the executive board talked strategy in the VION boardroom that day. More than enough questions were on the table. Could they rely on the charts? Were the mainstays strong enough to win the competitive race on the pan-European and even global scale? Which of their strengths should they practice to perfection? How could they make good use of the industry rules of the game to maintain the lead and put more distance between themselves and their competition in the European meat industry?

© 2012 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

Exhibit 1

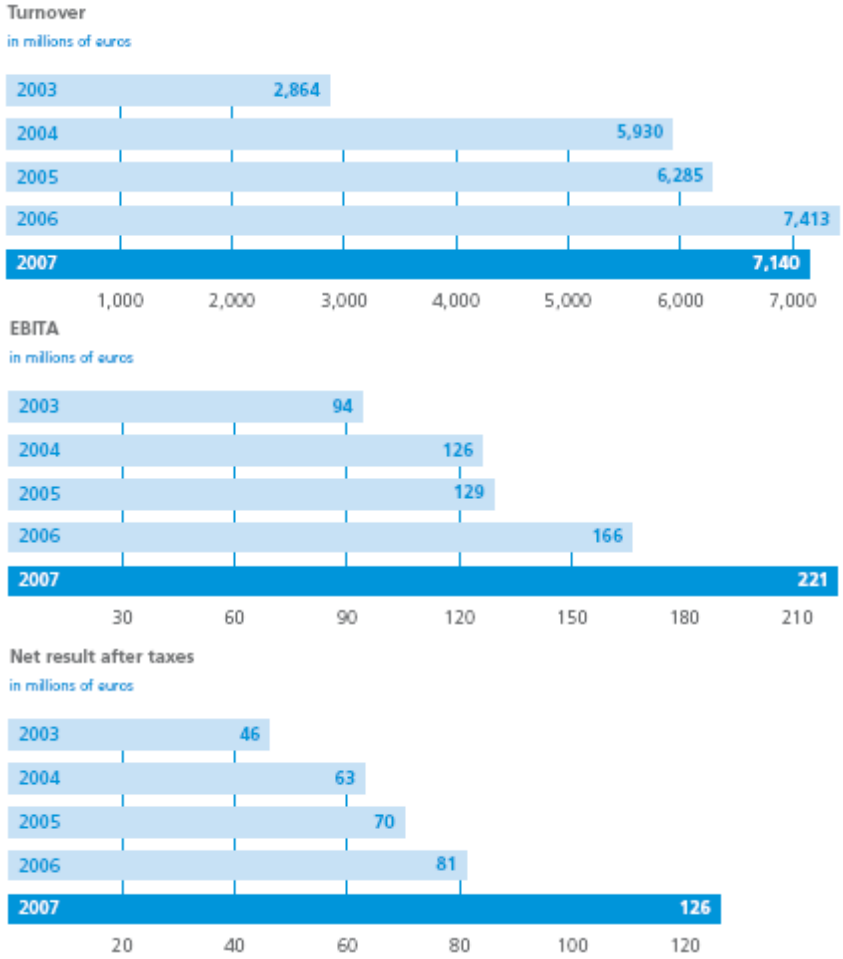
Turnover
VION food group achieved a turnover of €7.1 billion in 2007. The turnover has been rapidly increasing from €760 million in 2002 (known as Sovion at the time) to €2.9 billion in 2003. From 2003 to 2005 the turnover increased to €6.3 billion. In 2007 VION recorded a turnover of €7.1 billion. The leaps in turnover have mainly been the result of acquisitions of various companies in the meat segment of the food industry.

EBITA
The Earnings Before Interest, Taxes and Amortization (EBITA) have increased from €94 million in 2003 to €129 million in 2005 and €221 million in 2007.

Net Result after Taxes
The net result after taxes has increased from €46 million in 2003 to €70 million in 2005 and €126 million in 2007.

Return on Capital Employed
The Return on Capital Employed (ROCE) has fluctuated from 13.0% in 2003, to 11.1% in 2005 and 17.5% in 2007.

VION Food Group financial overview 2003–2007



Source. VION N.V. Annual Report 2007

© 2012 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

Exhibit 2.

ZLTO is a union of farmers and horticulturalists in the Dutch provinces Noord-Brabant, Zeeland, and the southern part of Gelderland. By 2008, the union listed approximately 18,000 members. The union furthers the interests of individual members, groups of members and entrepreneurs, and the collective interests of its members.

ZLTO is comprised of 65 departments divided over 4 regions, each with its own management team. Every member of the management team of a department has a portfolio with one or more policy issues in it. All portfolios, in turn, are represented in an administrative platform advising ZLTO's management team.

The organization has three separate divisions including ZLTO Interest Protection, ZLTO Projects, and ZLTO Advice, plus several related staff services.

ZLTO Interest Protection
ZLTO Interest Protection promotes the interests of members who desire to be both market-driven and society-oriented. Through its extended network, ZLTO Interest Protection is able to influence the future and innovation capacity of the agricultural and horticultural industries.

ZLTO Projects
ZLTO Projects stimulates structural teamwork within groups of agricultural entrepreneurs, initiatives for innovation in the agricultural sector, and practical execution of policies monitored by these groups of entrepreneurs.

ZLTO Advice
The advisers and specialists of ZLTO Advice offer tailor-made solutions for individual agricultural entrepreneurs. They are the experts to talk to regarding important choices for the future, such as succession and members' investments to grow their businesses.

© 2012 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

Exhibit 3. Acquisitions and joint ventures by VION in 2007 and 2008

VION UK (Grampian will be integrated into the new VION division, VION UK)

2008 Acquisition of Grampian Country Food Group Ltd, one of the UK's leading food companies, supplying the major multiples with chicken, pork, beef and lamb. The company currently employs 17,500 staff (of which 4,500 in Thailand), with an annual turnover of £1.7 billion (€2.5 billion) and has production locations in the UK and Thailand. The head office is located in Livingston, Scotland.

VION Fresh Meat

2008 Joint venture with the Russian RAMFOOD. RAMFOOD is specialized in the production of fresh and pre-packed meat and sausages. The company supplies the Russian retail and food service market in the Moscow area. RAMFOOD Group of Companies consists of a slaughter plant, a meat processing plant, a transport company, warehousing facility, distribution center and own retail outlets. The company has an annual turnover of rubles 3,2 billion (more than €86 million) and employs well over 1,300 employees.

2007 50% acquisition of Südfleisch in Germany

VION Ingredients

2008 Joint venture with the Brazilian company Rebière, one of the leading companies in the Brazilian gelatin market, and one of the top 10 gelatin companies in the world. Rebière has about 400 employees.

2007 Joint venture with the Chinese company Wuhan NPC. The company is the largest producer of plasma powder and hemoglobin powder destined for animal feed in China.

2007 Acquisition of Gebr. Smilde, a producer and processor of animal fats for human consumption, with activities in the Netherlands, Germany and Austria. The company achieved a turnover of €285 million in 2006 and has about 200 employees.

2007 Joint venture with Combinatie Teijsen van den Hengel (CTH), a Netherlands-based company processing and selling natural sausage casings, based on slaughter by-products. CTH has production locations in Belgium, Germany, the Netherlands, Poland, Portugal, Spain and China, and employs about 500 persons.

VION Convenience

2008 Acquisition of a majority of the shares of J&J Tranfield. Tranfield is specialized in the production of sausages and pizza for the UK retail and food service market. Tranfield has an approximate turnover of €175 million and 1400 employees.

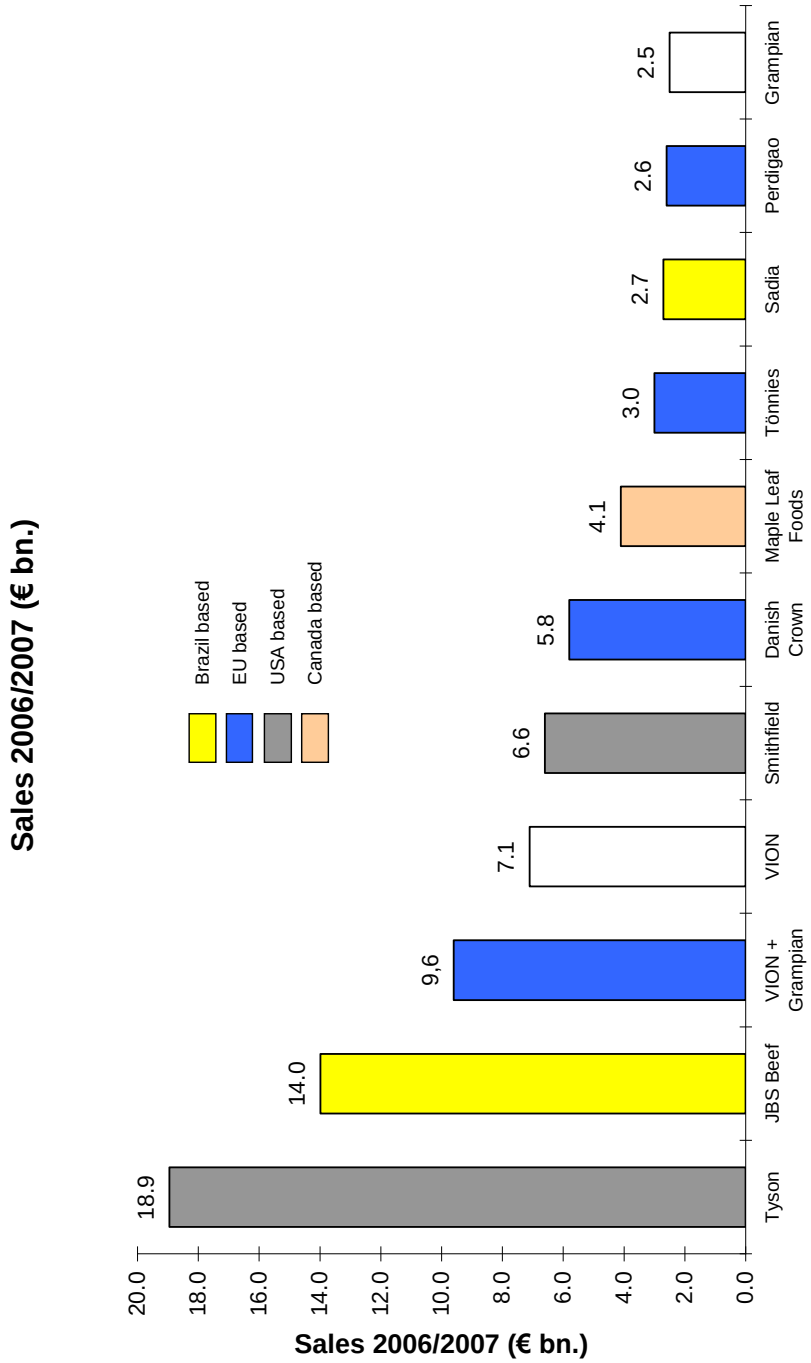
2007 Acquisition of the Dutch-based Oerlemans Foods. Oerlemans Foods is a Dutch company specializing in fresh frozen vegetables, potato products and fruit for the food service, retail and industrial markets. The company achieves 50 percent of its turnover in the Netherlands, Germany and the United Kingdom. Oerlemans is a €120 million turnover company and has about 750 employees.

2007 Acquisition of shares in Christian Salvesen, a transporter of frozen foods.

2007: Acquisition of the German company Artland Fleischwaren, a producer of meat-based food products. The company has about 500 employees. The subsidiary Keba, a producer of deep frozen snacks, has also been incorporated in the acquisition.

© 2012 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

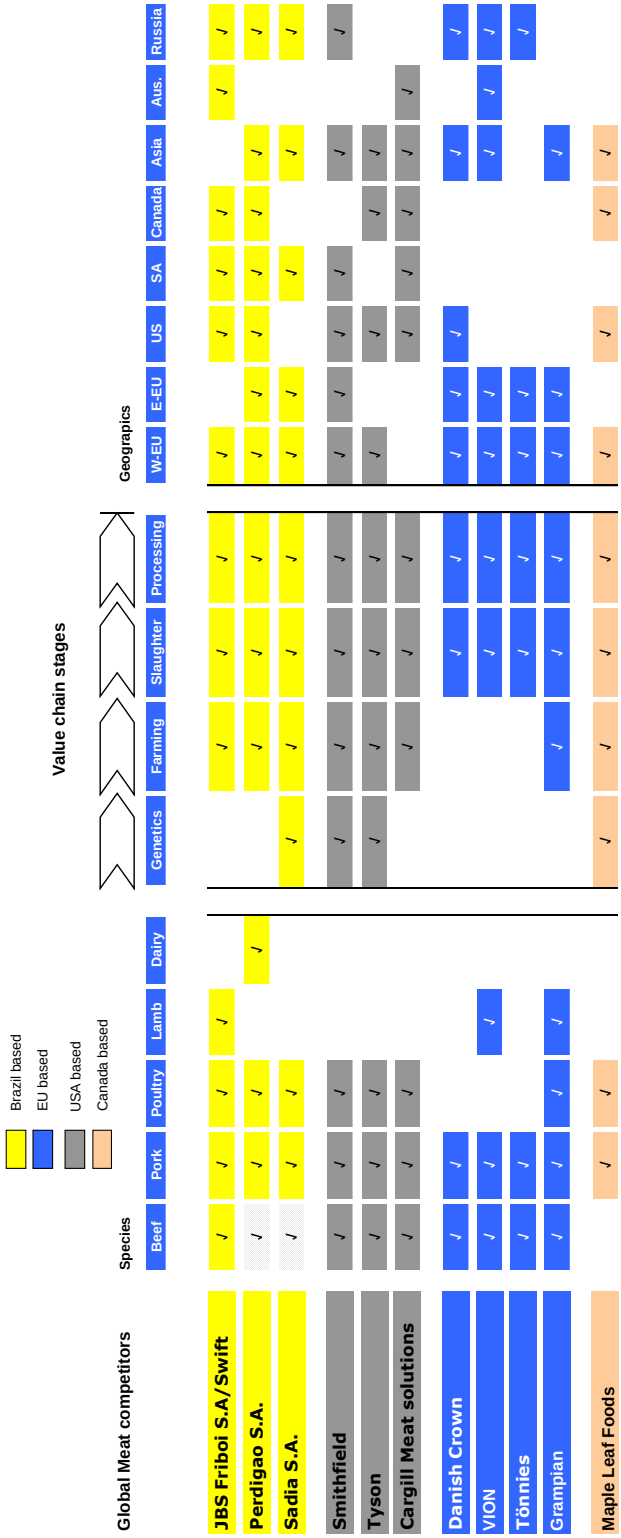
Exhibit 4. Overview of the Global Meat Players



Source. VION Company Presentation, 2008

© 2012 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

Exhibit 5. Business Scope of Major Global Meat Companies



Source. Adapted from VION Food Group documents, 2007

© 2012 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

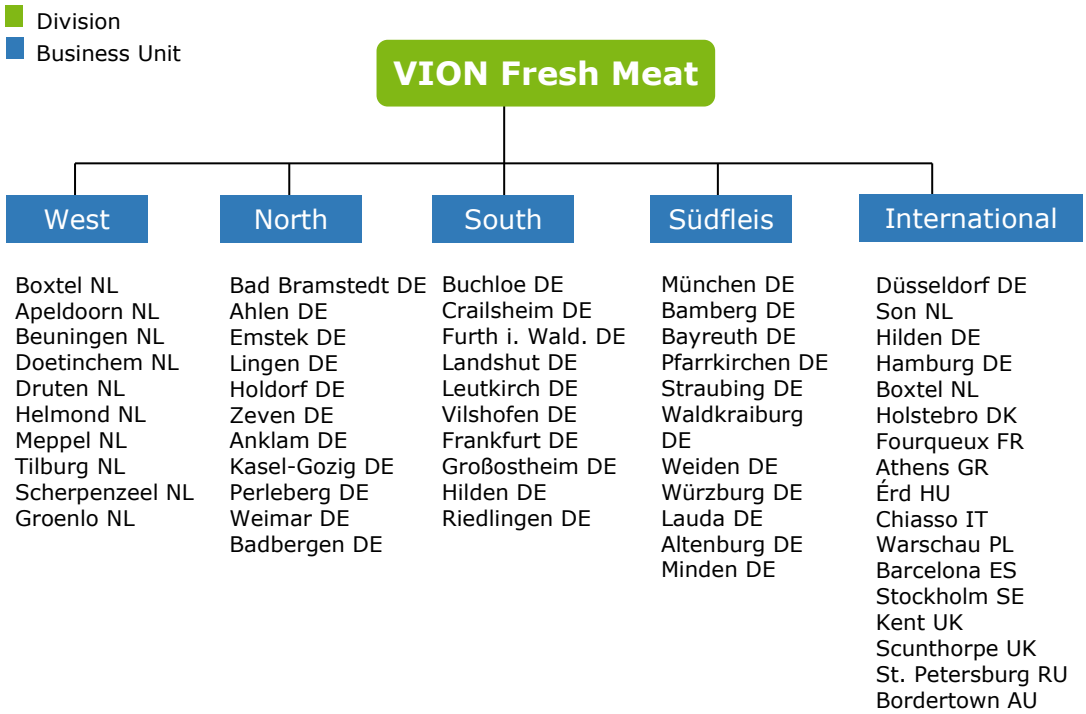
Exhibit 6. The 20 Largest Pig Processors in the World

Company and country	Pigs slaughtered/year
1: Smithfield Foods (PSF-Animex) *USA/Poland*	30 million
2: Danish Crown (Flagship-Sokolow) *Denmark/UK/Poland*	22 million
3: Vion *Netherlands/Germany*	19 million
4: Tyson Foods (IBP) *USA*	17 million
5: Cargill (Excel-Seara) *USA/Brazil*	10.4 million
6: Friboi (Swift) *USA/Brazil*	10 million
7: Tönnies *Germany*	10 million
8: Olymel *Canada*	8 million
9: Maple Leaf *Canada*	7 million
10: Hormel Foods *USA*	6 million
11: Westfleisch/Barfuss *Germany*	5.4 million
12: Sadia *Brazil*	4.1 million
13: Seaboard *USA*	4 million
14: Cooperl *France*	3.7 million
15: Perdigao *Brazil*	3.5 million
16: Indiana Packers *USA*	3.3 million
17: Socopa *France*	3.1 million
18: Grampian Country Foods *UK*	3 million
19: Ng Fung Hong/ Shanghai Food Group *China*	3 million
20: Aurora *Brazil*	2.7 million

Source. DLG/Agriculture, 2007

© 2012 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

Exhibit 7. Locations of VION Fresh Meat



Source. VION company presentation, 2007

© 2012 International Food and Agribusiness Management Association (IFAMA). All rights reserved.

© 2012 International Food and Agribusiness Management Association (IFAMA). All rights reserved.