



Hochwald successfully navigating a turbulent 2021. Celebrates opening of state-of-the-art dairy plant.

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Hochwald reported turnover of €1.59 billion in 2021. The export share of sales continued to grow and the export of long-life products to south-east Asia saw a clear increase. The export quota was 48%. Investments again reached a high level at €117.1 million. The Mechernich plant was commissioned at the beginning of the year and by July, all bottling lines will be ready for production. The flooding of the Ahr and Erft rivers had a particularly big impact this financial year as production at the Erftstadt plant came to a complete standstill. The strategic aim of paying out an above-average milk price was narrowly missed and, at 36.2 cent/kg, was around 0.1 ct/kg below the average for Germany.

Financial year 2021

The macroeconomic general conditions for the milk industry in 2021 were challenging. The entire milk value creation chain faced significant increases in costs for, among other things, packaging, logistics, additives and auxiliary materials, and energy in 2021. After two years of stagnation, milk production in Germany began to decrease once again. The international trade of milk products grew again in 2021.

As was the case in the previous year, the coronavirus pandemic led to higher sales early in 2021. The effect of this balanced out as the year went on. Out-of-home consumption around the world also lagged behind the pre-coronavirus numbers in 2021. Lower worldwide milk production, contrasting with increasing sales, in particular in south-east Asia, led to rapidly increasing prices throughout the year, beginning with bulk products. The corporate group was particularly affected by the flooding of the Ahr and Erft rivers. For several weeks, the Erftstadt plant was either not able to produce, or could only produce at lower levels. As part of a co-operation agreement, the Kaiserslautern plant was turned into in a joint venture with a Chinese partner. Detlef Latka, CEO, explains: "By working with our biggest Chinese customer, we are strengthening our internationalisation and are shoring up our presence on the growing Chinese market. We are thereby continuing on our path to being an international, market-orientated milk specialist".

Sales revenue decreased by 3.7% to €1,590.6 million (prev. yr: €1,651.4 million) in the year under review.

Developments in 2021

The Russian invasion of Ukraine has affected the prospects of the global economy and has brought significant political uncertainty. Ongoing high prices for energy and raw materials, as well as the lack of food and fertiliser exports from Ukraine and Russia, are probable consequences. Before the war broke out, the global economic trend appeared to be robust.

Although the spread of the omicron variant of coronavirus resulted in record levels of new infections in many countries, the economic effects of the waves of the pandemic are becoming less and less severe. The decline in global milk quantities, combined with stable worldwide demand, has led to shifts in the range of products on the one hand. On the other hand, exploding prices resulted from the uncertainties caused by the Ukraine war and the anticipated supply bottlenecks.

The rapid development of the raw material markets and the cost situation that farmers and dairy plants are facing, are leading to increasing dairy product prices. The price increases are around 35% on average across all product ranges. As a result, dairy products in Germany are becoming more expensive than ever before.

Against the backdrop of this situation, the company began the largest investment project in the history of Hochwald in the first half of 2022: in Mechernich, in the south of the Eifel mountain range, we celebrated the opening of the most advanced dairy plant in Europe. Detlef Latka explains: "With the opening of the Mechernich dairy plant and investments in our other plants, a whole range of building works as part of our strategy has come to an end. Now we have to build on the successes of recent years and continue to develop Hochwald's strategy systematically. In the future, we will specifically focus more and more on issues like sustainability, diversification and digitalisation".

Based on the sales trend for the opening months of the financial year, we expect annual turnover to significantly exceed the levels of the previous year in 2022. We expect that an above-average price for milk can be paid by the corporate group in 2022. We expect a pre-tax group operating profit slightly above average for 2022.

Facts and figures

		2021	2020
Total turnover	€ m	1,590.6	1,651.4
of which third countries	€ m	256.4	218.2
Milk supply	kg m	2,171.8	2,311.3
Employees		2,065	2,072
Property, plant and equipment investments	€ m	117.1	204.9
Unit price at 4.0% fat and 3.4% protein, including supplementary payment, excluding VAT	ct/kg	36.2	34.1

Contact:
Hochwald Foods GmbH
Kathrin Lorenz
Corporate Communications
Tel.: +49 6504 125 129
Email: k.lorenz@hochwald.de