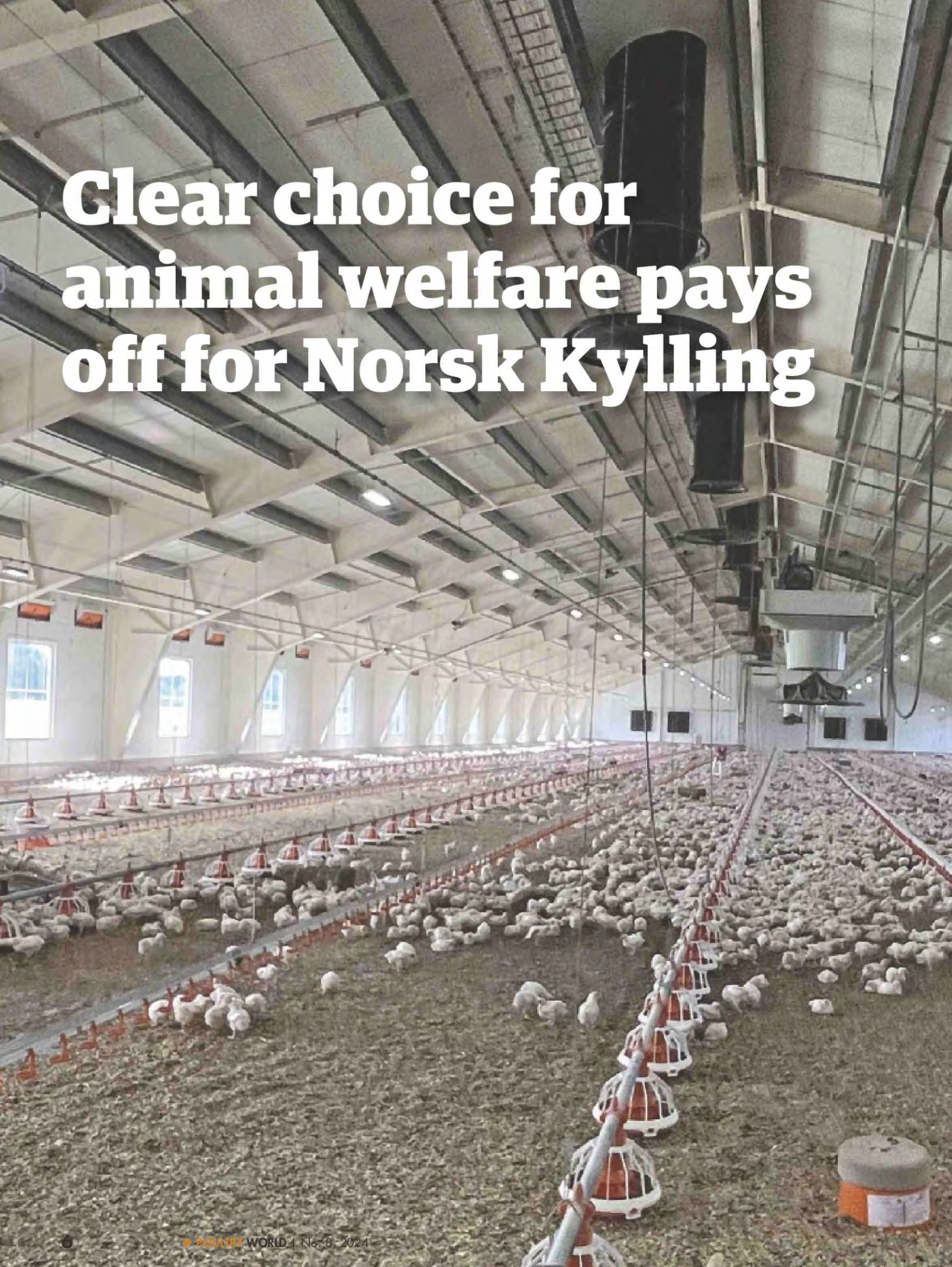


Clear choice for animal welfare pays off for Norsk Kylling





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Strict chain management and anticipating social demands before activists show up on the doorstep is Norsk Kylling's formula for success. The 142 poultry farmers have a stable, virtually guaranteed income. The operation grew by almost 1.8 percent in meat sales in 2023.

BY ROBERT BODDE

The almost 530 broiler farms in Norway produce around 65 million broilers each year. The sector is largely in the hands of three integrators: the cooperative Nortura, the listed Scandi Standard and Norsk Kylling, which is owned by retailer REMA 1000, a family business. Nortura is responsible for 45 percent of the total production of 105,000 metric tonnes, Scandi 27 percent, Norsk Kylling 20 percent, and others 8 percent. Each of these integrations supplies its dedicated geographical region within the vast expanse of Norway. The poultry farms affiliated with Nortura are mainly located in the southeast, around Oslo. The companies linked to Scandi are concentrated in the southwest of the country, around Stavanger. Norsk Kylling operates within a radius of 200 km from Trondheim in the middle of the country.

Focus on the domestic market

All these integrations focus on the domestic market and they each have clear ties with retail stores. Nortura supplies NorgesGruppen, Scandi supplies Coop and Norsk Kylling supplies REMA 1000. In addition, all three supply other retailers under private labels as well as the catering and food industry. Exports are marginal; the price level within Norway is at a much higher level than in the EU and third countries, partly due to protective import duties. In 2022, only €4,600 in poultry meat was exported and €633,000 was imported. Great Britain, Spain, Sweden and the Netherlands all exported around €150,000 worth of poultry meat to Norway. These are marginal quantities.

Norway has no national production quota or limits. There is however a production maximum of 280,000 broilers per farm per year for broilers, including animals rejected and dead on arrival at the slaughterhouse. There is some flexibility. As much as 30 percent more may be delivered in a year, but this overproduction must be compensated in the following year. Norway has a legal stocking density of 36 kg per square

Animal welfare takes centre stage at Norsk Kylling, daylight is mandatory and stocking density is maximised at 30 kg/m².

PHOTOS: ROBERT BODDE AND MARK PASVEER



Norsk Kylling experienced an increase in processable birds after switching to Hubbard.

meter and the majority of the animals are fast-growing Ross 308. These recently came under heavy societal pressure after the broadcast of a Swedish documentary about fast-growing chickens. Nortura, which also supplies chicks to the Scandi integration, announced that it would switch to slower growing animals, but has not yet done this. "The broadcast pointed out the health issues in fast growing chickens, and highlighted the sector's responsibility for animal welfare," says CEO Hilde Talseth of Norsk Kylling.

New hatchery and processing facility

The integration that Talseth is in charge of took a completely different course after the takeover in 2012 by retailer REMA 1000. Norsk Kylling built a new slaughterhouse in Orkanger and a new hatchery in Støren, equipped with the HatchCare

system from HatchTech, in which the chicks have access to water and feed immediately after hatching. The slaughterhouse has been operating since October 2021, the hatchery since May 2023. The old Støren slaughterhouse is now in use as a cold store.

In the run-up to that, the focus shifted and the management was rejuvenated. Previously, purchasing costs were central. Now the emphasis is on animal welfare, environmentally friendly and transparent production, good working conditions and income security for the farmers. Concerning animal welfare, the ECC standard is now the starting point. The maximum stocking density is 30 kg per square metre and there are some additional requirements for housing as well. The existing lighting in the poultry houses has been converted to the wishes of the Norwegian animal welfare alliance: LEDs with daylight colour. Added measures such as lucerne hay and peat baths are mandatory, as are mineral pecking stones. "We have reimbursed our farmers for all the costs of this," says Talseth. Daylight is mandatory in newly constructed houses, for a maximum of 16 hours per day. "That means large windows in the side walls, because we want at least three percent of the floor area to be windows." After 17 months of testing, the fast-growing Ross308 has been completely replaced by the slower-growing Hubbard JA787. Since 2018, all farmers have been working with Hubbard chicks.

The pay out system was adjusted during the switch, (see box: Guaranteed earnings). The integration now uses one price for all suppliers, on which a surcharge of a maximum of one cent per kilo of slaughtered weight is possible under clearly defined conditions. "We spent 18 months building this pricing system. It took a lot of meetings and hours of discussions. We hadn't negotiated with individual farmers about meat price or chick prices for six years," says Talseth.

Guaranteed earnings

All poultry farmers affiliated with Norsk Kylling share all their technical and financial data with the integration. From feed data, interest payments, building costs, veterinarian costs and operating resources to the costs of cars, the accountant, membership of the poultry farmers' association and internet costs, the books are open. The integration uses the data to calculate the cost price for a company with 14,000 broiler places. At that size, the broiler farmer should be able to earn the average Norwegian income.

All of our livestock farmers know how much they deviate from the average for all of these items. Five mandated livestock farmers have access to all figures. The integration consults with them once a year and then the basic price is determined. This is corrected every quarter for the changes in the average feed price of the three Norwegian feed suppliers and the energy prices. An inflation correction is implemented as standard on the first of January. In that, 50 percent of the increase in construction costs is included, while the inflation in other costs is fully included.



Rema 1000 uses a digital pricing system in its supermarkets. Changes are made based on competition analysis.

How did it all work out?

“When we switched to slow-growing broilers, we completely took the risk in the pilot phase. Farmers would not incur any costs if there were any unexpected problems. But it worked out well from day one. There was much lower mortality, almost no use of coccidiostatics and other medicines and a much higher retention rate at processing.”

What was the reaction of the poultry farmers to these changes?

“In general, I have never met a farmer who doesn't want to do the best for his or her animals. But they did ask if we were crazy. Their main worry: how could they ever make money from animals with 15% less daily growth. It was important that we offered the farmers predictability. We, the processing industry, had to give them the security and the means to make these changes. By adjusting the payout price, with the automatic correction for inflation and feed and energy prices, we virtually guaranteed their income. With that guarantee, they can go to the bank and invest in their business. We now have 142 farmers who are proud of what they do. And the next generation wants to continue farming. And that is what farmers want, for their business to continue.”

This seems to be a pricing system that stimulates growth of companies

“Yes, that is correct. We can easily double our production at both the new slaughterhouse and in the hatchery. I hope we will reach that point.”



When do you want to have doubled in size?

“That is difficult to say, responsible growth, so more meat sales, is the priority. In 2023 we have expanded with 15 new houses, 26,000 square metres of barn space, or approximately 8 percent. This year we already have five additional suppliers and around 6,300 square metres due to the shifts at Nortura.”

What is going on there?

“Nortura has 30 poultry farmers in our geographical working area. Nortura has decided to centralise its production and will sever its business ties with these companies from 2027. Until then, we will process these birds for Nortura. We have also been offered to take over the purchases from these farmers. In itself, I would very much like them to join, but we have promised our own farmers that we will deal with them

Hilde Torseth (45) is CEO of Norsk Kylling, responsible for a turnover of 157 million euros.



Norsk Kylling is a subsidiary of Rema 1000. Chicken meat is a driver for multiple products in store.



The new processing facility in Orkanger is less than three years old. Capacity can double as currently only one shift works for five days a week.

responsibly. We must make sure that we have the pull of the sales market. We have learned from trying to push product in 2014 and ended up with stocks of chicken in every cold store in our province of Trøndelag. We even had to stop production on the farms. And that is really bad news. Farmers need a stable income. For that, we need to experience stable and responsible growth. So no, we don't take on those 30 farmers, just hoping that it will be a success. We take on new farmers as quickly as we can, but in a responsible way."

What if one of your current suppliers say they want to double production. Will they be put in first place or will the Nortura supplier go first?

"That is one of the things I am most proud of. Every year in May, we as management make a tour of all the farms. Every

time, 15 to 20 farmers come together at a farmers' meeting. Then we talk about topics that the farmers themselves put on the agenda. And one of the topics was precisely this question. All the farmers indicated that it is our responsibility to put the potential Nortura entrant who is already a farmer first. When they are on board, we have a long list of farmers who want to expand, especially the new generation. But they are prepared to wait until we have helped the Nortura farmers. And I am really proud of that."

Potentially, you have a 20 percent growth in supply via Nortura in the next three years. And after that?

"We are telling our story every day, talking to new meat customers. Customers outside of our largest customer REMA 1000 and the food service companies such as Circle K and the hotel chain Scandic among many more."

Poultry farmers learn to trust each other

Norsk Kylling has been organising an annual meeting with all livestock farmers since 2016. Prizes are awarded to the best performers. Covid made those meetings impossible for two years. "When we restarted, several farmers said they were happy to be together again. That contact with colleagues makes it easier for them to discuss any problems on their farm," says CEO Hilde Talseth. The integration experience is that livestock farmers are prepared to reveal the challenges they face. "We show livestock farmers the averages of the results and their own results. We notice that they are now starting to benchmark each other."

At Rema1000, the meat is in the display cases under the strong brand Solvinge and the premium brand Stange. The meat outside REMA 1000 is sold anonymously. Will that remain the case?

"No. We are the only slaughterhouse that works entirely according to ECC requirements. We have implemented many changes for that and want to show the consumer that it is possible to produce chicken in the most responsible way. That is also a demand from end users, but of course they also want to buy the meat as cheaply as possible. To that end, we are going to promote the Norsk Kylling brand widely. In January and February, we conducted television campaigns

for the first time. In September we will be adding our logo to the Solvinge products in the REMA 1000. Consumers will then also see our logo when ordering in hotels, in the metro stations and at petrol stations. They will also see our logo when purchasing from retailers other than REMA 1000 if we supply them."

Norsk Kylling now produces at ECC level. What is the next step?

"That is a good question. My dream is that we will have a wintergarten on all farms and that we reduce our environmental footprint by 50 percent. We only already have a wintergarten at Stange, our premium product from 13 farms. The extra square meters of that wintergarten do not count as house surface. So it is not possible to keep extra animals, but it does create extra costs. I do not know whether it is feasible for all farms to invest in this because in our climate we can only use such a wintergarten from April to October. And there is the bird flu problem as well. So it is still a dream that may be realised in five to ten years. But not before we are ready for it and we consider it responsible. After all, it is a fairly expensive step."

And the emissions?

"Our goal is to reduce our total footprint by 50% by 2030 while producing more. To achieve that, we need to make major changes such as sourcing feed locally, using waste streams from the food industry. And perhaps switching to new proteins such as algae, seaweed and sea cucumbers: new protein sources that humans do not eat. We are doing a lot of research into that together with the fish farming industry."



The footprint is not tangible. Animal welfare is. And you are leading the way in that area.

"Footprint is something that is on a label and it is either okay or not. If we do nothing, we will need 60% more protein in a few decades than we do now. We are putting a lot of strain on the planet. The temperature is already rising and we are seeing more storms. We are now pushing nature, just like we did with the Ross308. So I hope that when we tell the emissions story to end consumers, it will not just be a label on the packaging. It will be a change in mindset that we look for products and solutions that give us the chance to continue living on the earth for generations to come."

At 10 a.m. the facility receives the supermarket orders of the day; at 5 p.m. the meat is in the distribution centre.



Residues from the hatchery are used in a biogas installation, which is then used as fuel for the hatchery trucks.



During construction of the processing facility, worker welfare was top of mind.



These chicks are ready for transportation to the farm after being vaccinated.

You have a head start on the competition in the field of animal welfare. How do you stay ahead?

"It's a question of mindset and that's why we are so open. We like to share knowledge. When we saw the big difference between Ross and Hubbard, we immediately started talking about it. We are talking about that, and in terms of emissions, about changes that are bigger than ourselves. We welcome it when all our competitors go to ECC, because we see that this is good for animal welfare. It is the responsible thing to do. If we can find a cost-effective solution for low-footprint feed, we would love for the rest of

the world to adopt it. We are constantly improving, doing new things. We have ten veterinarians, probably the largest team of veterinarians in Norway. That is also why we get such good results. Previously, they would travel around to help with diseased birds; now they are constantly improving the systems that make us stronger. We want to be the best in the world. If you are world champion today, you still have to wake up tomorrow and go back to work to stay on top. So we are not afraid of being copied. We applaud others who want to copy us, while we will continue to improve."

The hatchery of Norsk Kylling operates the HatchCare system of HatchTech. Chicks have direct access to feed and water.

