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NORSK KYLLING AND REMA 1000

Changing the Retail Broiler Market in Norway



REMA 1000

BACKGROUND

Norsk Kylling is a Norwegian food company which produces and markets poultry products. In 2019, the company contributed 18% of the total 69.5 million chickens produced in Norway, and 22% by volume.

They have a fully integrated value chain for broiler chickens. Parent flock eggs are incubated and hatched in a local parent flock hatchery. Thirteen dedicated rearing and laying farmers take care of the parent flocks and the eggs are delivered to their local broiler hatchery for incubation and hatching. These chicks are then reared by one of their 124 broiler farmers. Practically all the meat from Norsk Kylling is sold through REMA 1000 stores in Norway, with most products branded Solvinge



REMA 1000 Norge AS is a discount retail chain, owned entirely by the Reitangruppen, with 642 stores in Norway. They have 23.2% market share of the total Norwegian grocery market and, in terms of chicken sales, 32% for fresh and frozen chicken. The retailer acquired Norsk Kylling in 2012 and Hugaas Rugeri in 2015, making the supply chain for their chicken meat, a fully integrated one.

ANIMAL WELFARE LEADERS

Norsk Kylling and REMA 1000 have an ambition to be leaders in animal welfare and have worked closely with the Norwegian Animal Protection Alliance (Dyrevernalliansen) in recent years to help them achieve this.

An important part of the strategy of Norsk Kylling is transparency of the value chain and their desire to showcase their production and tell their story. To achieve that, in 2018, the company announced the transition to a slower growing breed of chicken which lives longer and grows slower. In Norway, most chicken producers use the Ross 308 - a fast growth rate breed, which can suffer a multitude of welfare issues including poor walking ability and low activity levels. Through the introduction of their 'Hubbard' birds, along with other improved measures in their supply chain, Norsk Kylling and REMA 1000 have improved the welfare of around 32% of the total retail chicken market in Norway.



Other improvements include:

- Ensuring better welfare in the barns: providing enrichment, better lighting, lower stocking density and optimized feeding.
- Providing best practice guidelines for farmers and standards for technical equipment used on farms.
- Improving welfare during transport and at slaughter (e.g. reducing stocking densities in transport containers and shortening wait times, calming lights and a gentle gas stunning).
- Setting up a comprehensive animal welfare educational program for all involved in handling the birds down the supply chain.

MITIGATING COSTS

When working on the business case for their transition to higher welfare chicken, calculations showed that the increased productivity of the parent flocks – in combination with the larger slaughter weights, higher yield rates, lower mortality and lower reject numbers - mitigated the higher costs associated with a longer life span of the bird, and an increase in feed conversion ratio (FCR).

By introducing their Hubbard chicken, REMA 1000 were able to offer their customers a higher welfare product without increasing the price, which is an important part of their business proposal. Ole Robert Reitan, the owner of REMA 1000 said: *“This [Hubbard] may be the best product we have ever had in terms of perfect scores on all the three parameters; price, quality and responsibility”*.

REMA 1000's customers are increasingly concerned about animal welfare and their higher welfare Hubbard chicken has now become an everyday choice for their customers.

MEAT QUALITY

Norsk Kylling believe that animals reared in good conditions provide better quality meat. The Hubbard chickens have demonstrated higher scores on welfare indicators compared to the Ross 308; the birds grow more slowly and move significantly more than before.

"There is no doubt that this is a chicken that lives a good life and thrives in the barns of our skilled farmers", said Kjell Stokbakken, CEO of Norsk Kylling.



THE ROAD TO HIGHER WELFARE

In 2015, Norsk Kylling and the Norwegian Animal Protection Alliance started to look at the key elements for introducing higher welfare chicken into their production system. Veterinarians and agronomists visited their farms, hatchery and slaughterhouse, and assessed the current production methods against scientific research and best practice in animal welfare. The assessment resulted in specific improvement measures and proposed deadlines for their completion.

Since then, Norsk Kylling has made several major changes throughout their supply chain, all with the aim of improving animal welfare. This work intensified in 2017 with Norsk Kylling increasing their staff by hiring several additional veterinarians.

In 2015, Norsk Kylling started to introduce a range of new higher welfare standards which included: moving to a slower growing breed, a lower stocking density, enrichment provision and full light spectrum in the barns, as well as providing detailed guides to help the farmers run their units in the best way possible for the birds.

Other measures included: working with the feed mills to optimise the feed, developing and implementing an educational program to increase the animal welfare competence of all people involved in handling the birds throughout the production cycle, and limiting the use of antibiotics and preventive medication. To help reduce stress, transport times are kept short and the stocking density in the transport containers has been reduced. A new gas stunning system has been introduced in the slaughterhouse where the birds are kept in the transport containers and only handled after stunning.

The breed change to Hubbard

In 2018, Norsk Kylling announced that they were changing breed from Ross 308 to Hubbard JA787, following 15 months of testing in close collaboration with the Norwegian Animal Protection Alliance (Dyrevernalliansen) and all their farmers. This was considered one of the best ways to improve welfare in their supply chain.

The farmers using the Hubbard breed report that the chickens are more active and livelier, playing and exploring the barn throughout their lives. Their vets now primarily work to prevent disease or injury rather than treating the birds. The key outcomes indicate that this new breed is improving animal welfare and animal health in several ways:

- In 2019, there was a 39% lower daily mortality rate compared to Ross 308, despite the longer life of the Hubbard (0,09% with 33 days for the Ross 308 versus 0,05% with 46,6 days for the Hubbard).
- The total mortality was 13% lower (2,89% Ross versus 2,50% Hubbard).
- Foot pad lesions were 29% lower (12,4 for Ross 308 versus 8,8 for Hubbard).
- Average mortality during transport was down 75% (0,08% for Ross 308 versus 0,02% for Hubbard)
- Ascites was down 80% (0,50% for Ross 308 versus 0,10% for Hubbard)
- The average daily growth rate was down 15%, despite the longer life span (from 61,8 g/day for Ross 308 versus 52,7 g/day for Hubbard)

Environmental enrichment

"Hubbard is a healthy and active chicken and needs stimuli to encourage play and activity which is why all our Hubbard farmers provide a specifically designed package of environmental enrichments allowing them to live out their natural behaviours", says Stokbakken.

All chickens have access to a combination of straw bales, roughage, peat or wood shavings, pecking objects, platforms and perches. The chickens enjoy climbing the platforms and straw bales, pecking the pecking stones and straw bales, eating the straw bales and roughage, dust bathing in the peat or wood shavings, and perching on the perches and edges of the bath area.

Initially many of the farmers were a bit sceptical about introducing all the environmental enrichments as they require a bit of extra work and, in their experience, the Ross 308 birds were not using them. However, after some experience with the Hubbard birds, the farmers are now enjoying watching the birds play with and explore their environment.

Stokbakken adds: "Our farmers are pleased with the transition as there has been more activity in the barn after we introduced the Hubbard birds. They are much more active, alert and curious which is something that we are all pleased to see."

Stocking density

Providing the chickens with enough space is one of the major animal welfare parameters. The chickens enjoy moving around, exploring, playing and finding a quiet place to themselves when necessary.

In Norway, the maximum stocking density is 36kg/sqm (18 birds per square meter for the Ross 308). Since introducing the Hubbard, Norsk Kylling has been operating at a lower stocking density of 14 birds per square meter (23% lower), and plan to reduce this further to 12 birds/sqm by the end of 2021 according to their European Chicken Commitment..

Lighting

Science proves that chicken benefit from a full daylight spectrum as they perceive lights in a different manner to humans. As Norsk Kylling produces its chickens indoors, they have collaborated with a lighting expert to develop and test their lighting system. The system provides the birds with full daylight spectrum, some even programmed to reflect the natural changes throughout the day.

By the end of 2019 about 10% of the barns had these light systems installed and this will be rolled out across all their barns by the second half of 2021. They are also actively considering introducing windows into their existing barns. For now, all new barns will include windows, even though this is not a national requirement.

Use of antibiotics

In general, animal health in Norway is good and there are few antibiotics used. Norsk Kylling's aim is to use as little as possible and never in a preventive manner. Until 2016, the coccidiostats narasin was routinely used in the chicken feed but Norsk Kylling was the first Norwegian producer to stop this practice in early 2016. This has been replaced by a vaccine that prevents disease by stimulating the chicks' immune systems.

Feed

Norsk Kylling was the first to introduce the Hubbard breed into Norwegian chicken production and to ensure the birds are given the best diet they collaborate with three local feed mills, sharing production results and adjusting the feed accordingly to meet the birds' needs.

Ensuring best practice

Norsk Kylling has developed a comprehensive training program for all their staff that handle the chickens throughout the production cycle. The program was launched in 2018 with a focus on raising awareness of the intrinsic value of animals and applies to all workers in the hatcheries, slaughterhouse, farmers and their families, harvesters and the drivers.

The company has also developed a comprehensive set of operating guidelines which were introduced in 2017 to help the farmers run their barns more efficiently. These were developed alongside a set of technical requirements for the equipment used on the farms. They have also worked to improve the operational guidelines for farmers.

Transport

Norsk Kylling recognise that the chickens can get stressed during transport and have made several improvements to their transport routines: no chickens are transported for longer than four hours (1/3 of the national requirement by law which is 12 hours), and the stocking density in the transport containers is now 29 birds per container, compared to the national maximum of 36 birds per container.

Slaughterhouse

Norsk Kylling installed a gas stun/kill system in 2016, replacing their electric water bath stunning system. The new system is better for bird welfare as it requires no handling of the birds prior to stunning. Their slaughterhouse also has the shortest waiting period for chickens (from their arrival to stunning and then slaughtering) in Norway.

Moving forwards

Norsk Kylling and REMA 1000 have already made a lot of positive changes in their chicken supply chain to establish themselves as national leaders on animal welfare, and there are further changes to come. A new slaughterhouse is currently being built which will open in the autumn of 2021. This has been designed to be world leading on animal welfare and food

safety, as well as efficient and environmentally friendly and to contribute to the circular economy. The facility has been designed with a focus on energy efficiency and will use surplus heat from a neighbouring smelting plant for heating, seawater for cooling and solar panels for electricity. A smart energy storing system is being developed for the surplus heat and cooling. The entire facility will run on renewable energy, and the CO₂ emissions will be reduced by 75% compared to the industry standard. The new slaughterhouse will also contain a competence centre with capacity for 250 people, that will serve as a venue for all internal training and lectures, and will operate as an educational centre for others who wish to learn more about Norwegian chicken production. This facility will be a major improvement to Norsk Kylling's value chain, both in terms of transparency, animal welfare and environmental impact.

In the barns there is ongoing work to reduce the stocking density of the birds even further (down to 30kg/sqm) and to provide all the birds with a full daylight spectrum through artificial light sources or windows. Norsk Kylling is also designing a visitors centre for one of their farms, to be built in 2021. This centre will be used for lectures and to showcase the in-barn production through large windows, bringing the visitors closer to the birds. The design enables a higher level of transparency of the value chain without increasing the contamination risk."

In addition, Norsk Kylling have started the work of defining environmental guidelines for the farms and farmers. This is considered an important step in reducing the CO₂ emissions and increasing the sustainability of the entire value chain.

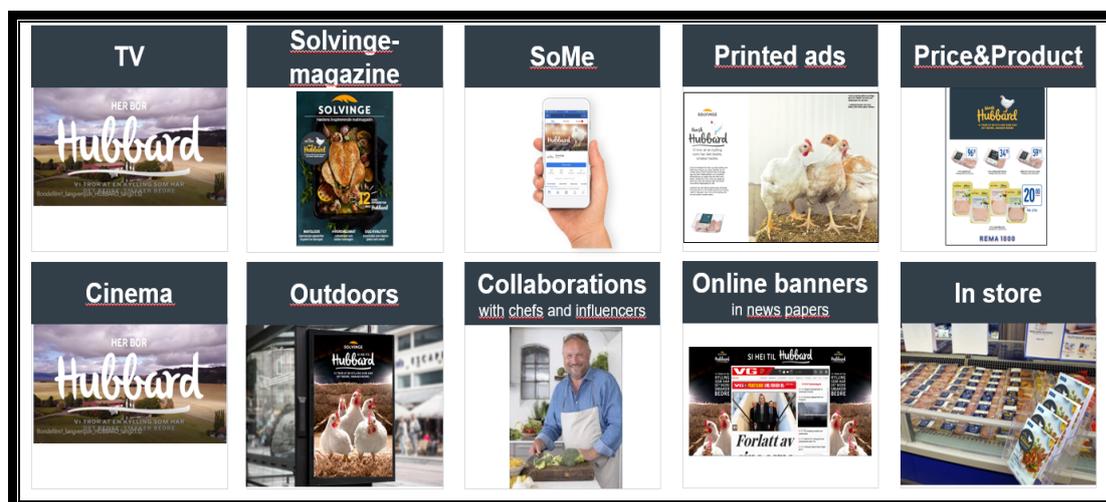
MARKETING AND COMMUNICATION

Consumer insight has shown that most Norwegian consumers are concerned about animal welfare (90%), and that many are willing to change their shopping habits for higher welfare products (56%). At the same time, consumer trust in Norwegian agriculture and chicken production is especially high compared to the rest of the EU, and people in general believe that Norwegian producers have an extended focus on animal health and welfare.

Consumer insight has also shown that none of the retailers in Norway, nor the chicken brands, have claimed a market position in terms of higher animal welfare. With this insight in mind Norsk Kylling and REMA 1000 developed a marketing campaign to:

- Strengthen the poultry category in REMA 1000 by focusing on the Solvinge brand and promoting the higher welfare benefits of the Hubbard products to their customers (compared to their competitors who were using the Ross 308).
- Build the Solvinge-Hubbard as a separate brand and strengthen its brand values.
- Demonstrate that higher welfare chicken tastes better using the slogan: "We think that chicken living better lives, tastes better".
- Establish Norsk Kylling and REMA 1000 as pioneers in animal welfare in Norwegian poultry production.
- Rebrand the Solvinge portfolio, by introducing the Hubbard breed on the packaging, aligning the marketing campaign with the actual products.

This was a multi-channel marketing campaign using different types of media to reach out to consumers, such as TV, print ads, cinema, outdoor advertising, social media and other online platforms. The campaign was twofold - one part focusing on profile marketing and brand awareness and the other on tactical sales with product and price communication.



COMMERCIAL IMPACT

To date, REMA 1000 and Norsk Kylling has received very positive feedback from consumers. Results have shown that brand awareness for the Solvinge brand has increased from 67% in May 2018 to 72% in November 2019. In the same period, the brand awareness for Hubbard increased from 0% to 21%.

In recent years, there has been a growing trend of consumers being more interested in sustainability, the environment and animal welfare. By introducing its Hubbard chicken to the Norwegian market, REMA 1000 has been able to meet consumer demand by offering products that are higher welfare (responsibility) and better quality (taste), all without increasing the price for its customers. In practice, everyone that buys their everyday chicken in REMA 1000 stores can guarantee that it has come from a higher welfare source.

REMA 1000 is the largest retailer for poultry in terms of market share in Norway and since the breed change to Hubbard, their market share has been 6-7% higher. In addition, their targeted marketing campaigns has actively contributed to increasing the market share for the Solvinge brand from 28% to 31,6%.

COMPASSION AND REMA

Compassion's Food Business team visited Norsk Kylling's broiler farms in August 2018 to discuss the next stages of their transition to higher welfare production. Recommendations were made on the provision of natural light and a further reduction in the stocking density, as slower growing breeds require more space to be active, and these are being gradually introduced into the barns for their Hubbard birds.

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