

Premium products on the move within the EU market

What market are we producing for? Before talking about premium, or differentiated, markets it is important to realise for which consumers or markets we are producing for. It is one of the first marketing rules you learn at school, but in a continuously growing and production-orientated market often forgotten.

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The actual market demand depends on spending power and level of development: the more money to spend the more meat is eaten, and the higher the development the more concerns about where food comes from and how it has been produced.

At the top-end of the 'Maslow' pyramid on social development individuals are also looking for self-esteem and recognition and most likely have interest in human and animal health and animal welfare.

Despite the economic crisis in the last eight years, we can still say that (North) Western Europe is a well-developed market in which concerns on use of antibiotics in animal production and animal welfare has



grown. The retailers operating in this market also play an important role as they 'translate' consumer demand into the products they offer to the public.

It is critical to realise that today's consumers are not the same as a decade ago and that the teenagers of today will be the consumers of tomorrow. Consumers in well-developed countries do not have any association to agricultural production, do not see 'eating meat every day' as a normal habit anymore and many consumers have become 'flexitarians' (for example in the Netherlands 55% do not eat meat for three days per week or more).

On the other hand, we also face the fact that consumers might not act the same as to what they say

and what they finally do: when they are in front of a shelf with different priced poultry meat, they often still tend to go for the cheaper option.

But what we have learned in Northern Europe now is that the influence of animal welfare associations can affect retailers and consumer behaviour.

History and development in Europe

In previous decades slow(er) growing chickens were mainly sold in traditional markets such as France, Spain, Italy and Japan. More than 50 years ago tradition, taste and 'cuisine' were the basis of the French 'Label Rouge' chicken (81-days free-range), of which today still more than 100 million chickens per year are sold.

However, this type of coloured premium chicken did not meet the expectations of most consumers in Northern Europe regarding price and carcass conformation.

In the early 90s the French integration 'Duc' developed together with Hubbard a new segment by mating the breeder female of the 'Label Rouge' (Hubbard JA57) with a conventional breeder male.

These 'certified' chickens are grown indoors to 56 days with a lower stocking density.

Later on the EU developed their own official marketing standards giving all EU-producers the possibility to differentiate and market their chickens under these special marketing terms laid down in each European language (see Fig. 2).

The standard for '81-day tradi-

tional free range' is quite similar to the original French standards for 'Label Rouge', and the EU also adopted the minimum age-level of 56 days already used for the 56-day 'certified' chickens in France.

Ongoing progress in growth rate of conventional broilers leading to younger ages at the target body-weight has given more room for differentiation between conventional broilers and slower growing premium chickens.

The 'Freedom Food Indoor' standard, developed by the RSPCA in the UK, is a good example of that: a slower growing chicken, grown indoors (49 days) at lower stocking densities with enriched environment and windows.

Since the late nineties Hubbard already had extensive experience with the JA57 in the UK for the organic, 81-day free range and 56-day free range markets. But because the breeding targets of the 'Label Rouge' chickens are fixed, Hubbard developed in the late 90s a 'sister' of the JA57: the 'Hubbard JA87'; a slightly heavier breeder female giving a little bit more growth, better feed conversion and more meat.

The JA87 was a welcome addition to fulfil the needs of the 'Freedom Food Indoor' segment. In both cases the breeder females are normally mated with a conventional male (Hubbard M77).

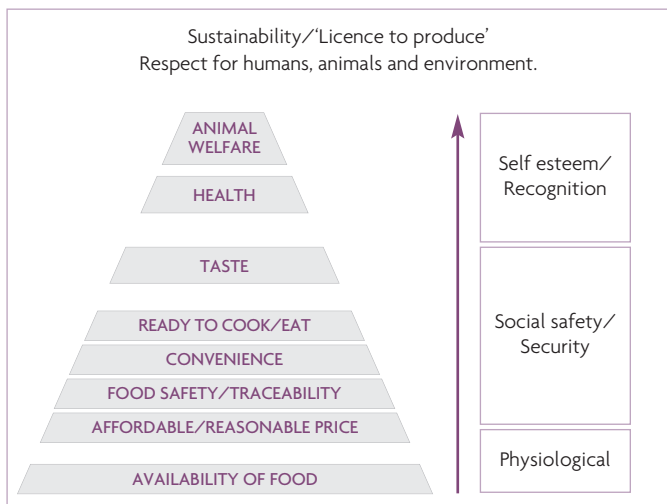
The Netherlands: a special case

Since early 2000 Hubbard has been involved in a project in the Netherlands to develop an intermediate segment in collaboration with a feed mill, processing plant, two retailers, Wageningen University and the Dutch Animal Welfare Association.

This led in 2006 to the introduction in the Netherlands of the first 'extensive indoor' chicken (56-days at a lower stocking density) but with a 'wintergarden', a covered ranging area, on top. For this production system the same genetics are used as by 'Duc': the Hubbard JA57xM77.

Continued on page 17

Fig. 1. Market concerns (based on Maslow's hierarchy of need).



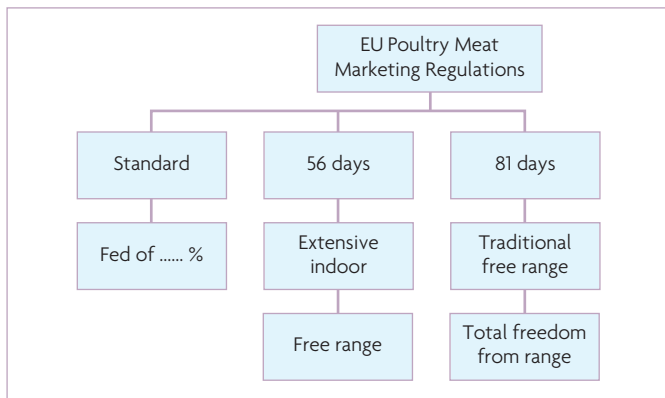


Fig. 2. EU official marketing standards.

Continued from page 15

The introduction of the 'Better Life 3-star system' of the Dutch Animal Welfare Association ('Dierenbescherming') in 2007 certainly contributed to the success of this new segment. The 'Better Life 3-star system' consists of three levels which are clearly identified on the packaging of the products sold: 3-stars for organic, 2-stars for 56-day free range and 1-star for the 56-days plus wintergarden system.

The organic market has grown over the years and still grows at a low pace but it is small and will remain small in terms of volume.

The 56-day free range is hardly being produced in the Netherlands, but sales of the 1-star chicken really took off when AH ('Albert Heijn', the number one supermarket) really started to promote these slower growing chickens. Almost all other supermarkets in the Netherlands followed the example of AH and added this to their product offering.

However the 'Better Life 1-star' market will probably also remain limited due to the relative higher price (+50% for breast meat). Despite this, sales volumes grow

slowly but steadily every year. Then, in 2013 the 'Chicken of Tomorrow' was born in the Netherlands.

Created by all Dutch retailers, processing plants and broiler producers as a reaction to the huge pressure coming from very effective media campaigns of the extreme animal welfare association 'Wakker Dier' (Awoken Animal).

This new segment for all fresh broiler meat sold in Dutch supermarkets is positioned between conventional broilers and the 'Better Life 1-star' chickens and initially focused on slower growth (max. 50g/d ADG) and enriched environment.

Supermarket AH was again the first to embrace this new development and introduced it onto their shelves very quickly in May 2014.

The number two supermarket 'Jumbo' followed in October 2014 using their own (stricter) standards (see Table 1 for details). Based on Hubbard's many years of experience they could immediately propose the JA87 as the right genetic solution. The 'Chicken of Tomorrow' is in full swing and now every supermarket has declared that they have

or will introduce it soon in their own way. By the beginning of 2016 both AH and Jumbo had already replaced all standard chicken (fresh) meat with their own 'Chicken of Tomorrow' concept as the basic product, offering the other higher animal welfare chicken products on top. Together with the other retailers who have also followed AH and Jumbo, in total this now represents close to 90% of fresh broiler meat sold in supermarkets in the Netherlands – a major change in the retail landscape in the Netherlands and abroad.

This is really a unique development in the world, which happened much faster than anybody could have predicted. This change will also help to drastically reduce the use of antibiotics in broilers. These robust chickens hardly need any antibiotics at all.

As a result of the fast introduction of slower growing chickens, the retailers are now also offering a much wider range of products instead of just breast meat. This is to make better use of the whole (more expensive) carcass.

Added value instead of increased cost price

The most important part of the success of these new developments is of course the acceptance by the final consumer of premium chicken meat. They will have to be ready to pay a higher price for a 'different(iated)' chicken. It is therefore very important to be able to tell the right story explaining what is done and what the benefits are of premium chickens. We need to stop thinking about 'increased cost price' and start talking about 'added value'. As this is what it is and we can be proud of it! ■

Table 1. Main standards in The Netherlands.

	Conventional (average)	'Chicken of Tomorrow'		56 day + wintergarden
		New AH chicken	New standard (Jumbo)	
Breed	Fast growing	Slower growing	Slower growing	Slow growing
ADG (g/day)	Actual (±60-65g/day)	Max. 50g/day	±45g/day	±42g/day
Killing age (days)	No limit	No limit	Min. 49 days	Min. 56 days
Age in practice (days)	35-42	49	49-53	56
Max. density (kg/m ²)	42	38	30	25
Number of broilers/m ² in practice	21	15	13.5	12
Extra material	No	Bales of straw and grain	Bales of straw and grain	Bales of straw and grain
Access to range	No	No	No	Wintergarden
Use of windows	No	No	Yes	Yes
Day/night-rhythm	Min. 6 hours dark (of which 4 hours in 1 period)	Min. 6 hours dark	* Natural daylight * Min. 6 hours dark	* Natural daylight (min. 20 lux); * Min. 8 hours dark in 1 period