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Introduction

Changes in the way society views animals and the environment lead to stricter legislation and higher requirements. The high investment to comply with this legislation as well as the opening of the European market for low-priced pork create a lack of perspective. We need new strategies because simply scaling up and improving the production is no longer sufficient. As pig farmers, we have to ask ourselves: If we can no longer be the lowest cost producer, what can we be?

My research question:

How can we as pig farmers add value to meat?

Three inspiring examples

During my travels, I visited three companies that I found particularly inspiring and which – as far as I am concerned – serve as an example of how you can achieve value with a higher added value product:

- 'Te Mana Lamb',
- 'Karo'
- 'Truly Irish'.

Te Mana Lamb (New Zealand)

My lesson from the Te Mana Lamb is that through a combination of genetics, feed and ripening of the meat the farmers are able to provide a product with a unique flavour. They are in charge of the production and marketing by working together with a slaughterhouse. The processing with genetics and feed is the key to an innovative product.

Karo Group (Great Britain)

I learned from Karo that for an optimal utilization of premium products you have to offer multiple levels, so that all parts can be sold with a maximum premium and can scale up the premium production of the slaughterhouse with a small financial risk.

Truly Irish (Ireland)

For me, Truly Irish is one of the finest examples of how you can develop a brand in collaboration with other pig farmers. Instead of distributing the gainings that they achieved from cooperating in the sale of sows, they invested the profits in building a brand with strong values. In the longer term, this provides a financial basis for these Irish pig farms and gives them the opportunity to control the entire chain in the future.

What steps can you take and how can you do that:

Start adding value yourself

Start small so that you can learn at limited costs.

Have a goal you want to achieve, but do not be rigid and learn from the experiences you make. Eventually, you will set up a new business.

Among the successful companies that I have visited, the companies – more precisely one of the owners – has shifted the focus to the new activity.

Together

The other option to achieve scale faster is to set up valorisation in cooperation with other pig farmers or other partners. The risk and the costs are distributed equally in

this case. It is easier to focus on value and to get the required expertise quicker. In addition, scale ensures cost price reduction and, together, upscaling is easier to achieve.

Brand

Building a market in which a brand or product has been successfully displayed is often a process of years. However, building a brand is the basis for being able to distinguish yourself with your product and to be able to link values to it. A brand lives on the created values that are associated with the brand. So this is adding values by adding values.

Marketing

Marketing is essential when implementing a new product. It ensures that the consumer notices the product, starts to try it and finally knows which values justify the price of the product. In the supermarket, packaging is the means of communication (for example by colour, logo, font and shape). The target group and the positioning of the product are equally decisive.

Commitment

Consumers aim for a bonding with the producer. A large group of consumers want to know where their food comes from and seek connections with the food. Social media offers plenty of opportunities to meet this need.

What we are doing:

Our first steps

We, as Van Asten, acquire knowledge and skills in the abovementioned areas in order to be a relevant supplier for others. An example of this is the concept "Global" from Vion. The Van Asten Group have contributed to the development of the production of extra fatty pigs.

As a first step in adding value to our products, we started together with butcher Hörchner in Germany. Together we are setting up a company that sells pork, which has aged for 12 weeks using the "dry aged method". This company wants to serve the top segment in the meat market. For this, we now produce eight pigs of 200+ kg per week.

In the future, we want to try to establish a Thuringian brand with Thuringian pig farmers for the German market following the example of Truly Irish.

Finally, a world of experience could arise at the Scheunenhof in Nordhausen where the consumer can go and see the complete production process from pigs to sausages.

Vision Van Asten Group 2020

The Van Asten Group is an international pig producer that supplies 600.000 households with pork. We want to make a transition from livestock farm to food producer. Together with our partners we want to add value to our products ourselves. Customers will be fans of our products and pay the extra price, so that we can invest sustainably in the environment, animal welfare, employees and surroundings.

Conclusion

The opening question must be: What does our customer want?

We have to start thinking from the customer's point of view to add value. We can offer added value to the customers in terms of convenience, health, experience, taste and connection. All these things will satisfy a need and the consumer will be willing to pay the extra price. Well-being and the environment are usually a precondition for delivery or part of the experience or story. Hereby it is important to find out the intention of the customer. For example, the main intention of a large group of organic buyers is that the food is healthy / safe. The same consumer will switch to buy regional products if he has the perception that it is healthier / safer.

NGOs; added value with a catch

NGOs and legislators are leading in terms of welfare and environmental standards. The creation of added value with well-being and the environment is mainly driven by NGOs (banishing cage eggs in a supermarket and 'beter leven'¹). The price usually determines the customer's/consumer's response if the product has no direct benefit for

¹ 'beter leven' is a label from an animal protection organization in the Netherlands, which set up market segments together with the industry where products derived from animals that are kept with additional animal welfare

them personally. NGOs ensure that active advertisements are made against a certain form of production so that certain products are no longer purchased, and in the end no longer offered. NGOs are both an ally to create added value with well-being and the environment, as well as a danger. The costs caused by the requirements of the NGOs drift us out of the market. Moreover, if one goal is achieved, then the next level is pursued. Their campaigns also lead to a decrease in the acceptance of livestock farming and meat consumption of the European population in general.

Added value without value

What we as pig farmers can at least start with, is to develop the knowledge and skills to be able to create added value in the production process. Even if we do not organize the increase of valuation ourselves, demand will come from the market over time.

This includes: antibiotic-free, GMO-free, long tails, regional, low CO₂ footprint, connection with the consumer, transparency, genetics and feed combinations, tasty meat and free farrowing. As pig farmers taking this in our investments into account, knowing the additional costs of production and having the knowledge and skills, we can deliver these products if they are requested.

The increasing demands and the investments required for this result lead to a higher cost price. Current measures in Germany will cause a shrinkage of between 40 and 70%. Historically we can look at Sweden and the United Kingdom. The result of their high demands in combination with an open market was a long period of shrinkage and impoverishment of the entire pig farming sector. The expansion of the value also will not stop this shrinkage. The contribution of added value creation is a stronger position and a better economic perspective for those staying.

A pig farm with high environmental and welfare requirements only has a right to exist in countries that use the Swiss model through a combination of import restrictions, production regulation and subsidization of the production costs that arise from welfare and environmental measures.

Recommendations

The Dutch and German government could support a successful transition:

- Many pig farmers do not have the equity required for the investment in farming systems that meet the new legal requirements. Banks are also less willing to provide a loan. The government should provide a risk-bearing loan to make this transition a success.
- Issuing permits and solving bottlenecks, so that pig farms can adapt to the draft requirements, start up valuation programmes and scale up production more easily.
- Support agricultural entrepreneurs by means of targeted subsidies, for advice / advertising and marketing.
- Strengthening regional brands and labels as a sector initiative (like the English Red Tractor).
- If the government wants to prevent the extreme shrinkage of livestock farming in order not to speed up the process of depopulation and impoverishment of the countryside, a policy such as in Switzerland must be chosen.

The slaughterhouses and feed suppliers also have a major interest in taking initiatives into account if they want to have a perspective for their production locations. With the added value they can offer the pig farmers who supply pigs or feed a perspective, which motivates them to keep their production up to a standard. Moreover, they offer them the possibility to build a connection.

More systems should be developed for the pig farming sector, in which space, loose housing and use of litter are important elements. Moreover, low m² costs, maintenance costs and a labour requirement, in which good technical results can be achieved, are desirable. Animals on litter with sufficient space are perceived by consumers as much happier than pigs in pens with a concrete floor and can therefore be an important part of the story for the value.

Pig farmers must devote more energy and time to better understand the consumer and chain. Together with their buyers they have to look at how they think about future value, because decisions in our companies are certainly for longer-term investments in new and reconstructed farms, which have an important influence on the future value-enhancing possibilities of our meat.

Pig farmers, who want to invest in increasing value in the future, can best work together to build brands that they own themselves and which offer an added value for the consumer. Added value can be achieved in very different ranges. It is also up to us pig

farmers to determine what kind of added value we can produce at our farms. It is a long way that is best started in times when profitability is good.

In Germany, unlike in the Netherlands, there is still a lot of room for building your own regionally focused brands. For Thuringian pig farmers, I see the possibility of continuing to work together to produce a genuine Thuringian brand. The products that cannot be marketed as fresh meat products can be valued via sausage products. In the current Thuringian original sausage products which are for sale in supermarkets, is not necessarily Thuringian pork, which means that they are not allowed to have the Thuringian logo.

The complete valuation of the pig is the bottleneck in many value systems. To be able to cope with it many value ways and products are necessary. If parts cannot be used in the value added program there should be an option for a second best value added program. To achieve this, scale is needed and a larger sales organization with various sales channels. To enable this, investments must be made in facilities of slaughterhouses and processors to separate groups of pigs.

In any case, as pig farmers we have to acquire the skills and build structures to produce products, with which our customers an added value can create. Even though profitability is marginal, it offers an alternative to price competition.