



TITLE: Assessment of the business potential of innovative Dutch technology in broiler production systems in the Russian poultry meat consumption market

**Project leader:** Natasha Valeeva (LEI)

**Requested budget:** 40 k€ incl. VAT

**Countries:** Russian Federation (including visit to **UK** and **Germany**)

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## 1 Motivation and project aims

### 1.1 Knowledge requirements for the target group:

Dutch companies are global suppliers of innovative and welfare friendly housing solutions for the poultry sector. A new Dutch broiler production system has been recently developed. The system puts into work more knowledge on effects of dust, pathogens, disinfectant levels, and early feeding during the perinatal phase on the development of broiler chickens, with emphasis on immunological and physiological development, and quality of the end product. This contributes to a better alignment of environmental conditions to the needs of the broiler chick (better welfare) and thereby contribute to a better health and consequently in a reduction in antibiotics use in broiler production systems.

Knowledge requirement for applying for a SMP: The consortium of Dutch companies along the poultry chain is interested in assessment of the market chances and the business potential for the consumption of poultry meat products that are produced in these innovative Dutch broiler production systems in Russia?

### 1.2 Definition of the problem

How can Dutch companies, suppliers of innovative technological solutions along the poultry chain, successfully build a sustainable position in Russia by improving quality, sustainability and animal health and welfare (resulting a reduction of antibiotics use) of local broiler production systems?

The growing world demand for animal proteins requires the introduction of new animal production-slaughter-processing systems. The newly developed innovative Dutch broiler production system lead to improved chick welfare and health, reduced environmental load and reduced losses of chick resources and higher yields of poultry meat. When implemented adequately, it should be possible to improve the poultry meat production in Russia significantly.

Dutch companies are at the moment reluctant to invest in Russia (e.g. in a factory) and are very interested in this assessment of the business potential of this kind of Dutch technology in broiler production systems in the Russian poultry meat consumption market.

When the outcome of this SMP indicates that this kind of newly developed Dutch technology in broiler production systems are able to show international leadership ( by taking the economic, scientific and social strengths of this Dutch system to entrepreneurial value in the chain all the way up to the consumer), several Dutch companies are considering the possibility to form a consortium to apply for a PPS to address all scientific questions needed to create **newly production-slaughter-processing systems as chain solution in Russia** (e.g. adoption of the systems to Russian circumstances, see also the context below). Currently interested Dutch Companies: Vencomatic (SME) - sales of NL broiler production systems in RF; Marel - high welfare conditions/no fracture or damage of any kind to chickens in the chain; Teeuwissen - importance of antibiotic-free slaughter waste processing in the chain, since they need antibiotic free slaughter waste to produce human medication.

A helpful opportunity is that some large Russian agro-holdings (e.g. Miratorg, Kursky Agroholding, Belgrankorm Veliky Novgorod) have recently bought and installed innovative Dutch broiler production systems. The challenge is to catch the interest of US meat giant Cargill to buy poultry meat produced from these broiler production systems to guarantee sufficient market demand, since Cargill is supplier for McDonalds in Russia. Cargill has invested in a new chicken processing facility in the Tula Oblast of Russia (launched in June 2013). The plant, which has been opened at the company's existing complex (concentrated feed production, grain processing, etc.) in Efremov, 300 km South of Moscow, will supply McDonald's restaurants across Russia. The plant has the capacity to produce 18.000 tons of processed chicken products a year. This investment decision was taken in accordance with the decision of McDonalds in Russia to extent the network of Russian local suppliers, among others for chicken processed products. However, Cargill is not planning to invest in own poultry farms and slaughter houses.

McDonalds in Russia: as of mid-February 2014, Russia had 416 operating restaurants. In 2012, 46 restaurants were opened (also in new regions) and the company planned to open at least 150 new restaurants in the



coming three years. The official policy of the company in Europe is to only buy from suppliers who operate responsibly and humanely and in accordance with EU regulations and guidelines. McDonald's will not work with any supplier who does not adhere to the standards required by UK and EU legislation regarding animal welfare, transportation and husbandry, etc.

Also, McDonald's Agricultural Assurance Programme (MAAP) in Europe is designed to increase the company's influence through the supply chain to the primary producer level. Ultimately, MAAP aims to raise agricultural standards and develop sustainable agriculture across Europe, with particular attention to animal welfare practices on large-scale farms (in conjunction with the Food Animal Initiative (FAI) in Europe) & restricting antibiotic use policy. The program is a framework of standards promoting food safety, quality and sustainable agricultural production methods. The next step in MAAP is the establishment of network of Russian competitive suppliers of sustainable poultry meat produced according to MAAP. Cargill is starting working with Russian poultry suppliers to help them assure the necessary level of quality and sustainability and Dutch innovative technologies can help in this.

Knowledge requirement for applying for a PPS: How to solve the scientific challenges for a Dutch production-slaughter-processing systems as chain solution to help Russian producers along the poultry chain? Can the consortium of Dutch companies show international leadership by taking the economic, scientific and social strengths of this Dutch system to entrepreneurial value in the chain all the way up to the consumer?

### 1.3 Aim(s) of the project

- Is it possible to comply the Dutch technology in broiler production systems to the quality demands of McDonalds Europe, which are also required in Russia and become trendsetting in the local value chain?
- What is the potential take-off of the Russian retail- and consumer market for poultry meat produced in NL broiler production systems with better care for welfare, health and lower (to no) use of antibiotics?
- Which Russian regions are willing to support (via subsidies) the introduction and implementation of sustainable broiler production systems?
- What knowledge questions should be addressed by the consortium of Dutch companies in a PPS proposal within Topsector Agri&Food during the call 2014 (follow-up PPS to be started in 2015)?

### 1.4 Target groups:

- Dutch companies, suppliers of innovative technological solutions along the poultry chain, willing to invest in Russian market, among others Vencomatic (SME) – housing solutions; Marel – slaughtering solutions; Teeuwissen –slaughter waste processing solutions.
- Russian companies along the poultry supply chain: "Miratorg", ZAO "Kursky Agroholding" (part of "Belaya Ptitsa"), "Belgrankorm Veliky Novgorod" and other agro holdings (vertically integrated chains)
- Cargil, McDonalds in Russia & McDonalds Europe, McDonald European Poultry Quality Management
- DLO institutes (identification of knowledge questions for possible follow-up PPS)

### 1.5 Economic context:

Although Russia is almost self-sufficient in poultry meat production, the Russian producers are lacking being with respect to sustainable agricultural practices, including animal welfare practices & restricting antibiotic use policy, which are highly demanded by big players (buyers of processed chicken meat) on the Russian market, such as McDonalds. However, large Russian producers have the strong ambition to be suppliers for such big players. The Russian large agro-holdings are looking at the moment for possibilities to improve their production systems and acquire integrated knowledge needed to work with such production systems to be able to meet demands of big players such as McDonalds; and also changing preferences (towards better quality) of Russian consumers.

And for Dutch companies, there is a larger market other than NL—such as Russia – necessary in order to justify and recoup the investments made to develop these advanced Dutch broiler production systems. Entering emerging markets in such a sustainable way will also contribute to a better image of the Dutch companies in in the perceptions of the Dutch citizenships and consumers.

### 1.6 Economic Opportunities:

- Increased export of sustainable Dutch broiler production systems to countries (Russia) with economic growth, high purchasing power and high food supply (uitvoeringsagenda Internationaal van de Topsector Agri&Food).
- Dutch broiler production systems can become trendsetting in the Russian retail and consumer market: implementation of sustainability concepts (license to produce)

### 1.7 Economic Threats:

There is not enough market/business potential for poultry meat produced in Russia with NL broiler production systems (with better care for environmental conditions, welfare, health and lower use of antibiotics)

#### 1.8 Desired expertise dlo:

- A combination of two DLO institutes of Wageningen UR: expertise on consumer & markets & chain, agricultural economics, supply chain management, livestock Research, poultry husbandry, poultry production systems, adaptation physiology
- Team with strong record on projects in Russia (incl. SMP-Russia 2013 evaluated as best business case) and established contacts at different governmental and business levels in different regions
- Understanding cultural and language differences, knowing of the Russian situation
- Ability to translate the Dutch experience into the Russian situation

#### 1.9 Expected results:

The study will address the following issues:

- Explore possible coalition between the modern NL technology in broiler production systems that comply with EU legislation, and Cargill.
- Explore quality demands of McDonalds Europe, which are also required in Russia
- Explore quality demands of Russian retailers and consumers
- Identify regions that are willing to support (via subsidies) the introduction and implementation of sustainable broiler production systems
- Business model addressing the Knowledge requirements (see 1)
- Identify knowledge questions that should be addressed by the consortium in a PPS proposal within Topsector Agri&Food during the call 2014 (PPS to be started in 2015)?
- Identify other partners and business model for the possible follow-up PPS

## 2 Work plan

### 2.1 Approach and time schedule

- 2,5 weeks: desk study/quick scan into (a) potential take-off of the Russian retail- and consumer market for poultry meat; (b) regional Russian subsidies which are available to support the introduction of sustainable broiler production systems; (c) McDonalds/Cargill requirements in Europe/Russia
- 2 days: developing questionnaires for interviews
- 1-2 days: visit to VIV Europe in Utrecht (World Expo for Animal Husbandry and Processing), May 20-22, 2014 (many Russian decision-makers are coming to this exhibition)
- 2 days mission to UK/London: Interview with Keith Kenny, sr. Director supply chain McDonalds Europe in Oxford
- 2 day mission to Germany/Munich: Interview with Norbert Rank, Quality Control manager McDonalds Europe
- One/one and half week mission to Russia (Moscow and regions):
  - Interview with at least two CEO's from the large Russian agro-holdings (with poultry business) that have recently bought and installed such Dutch broiler production systems (Mr. Linnik in head office Miratorg, Moscow and/or Mr. Barshuk Igor, chairman of ZAO in Kurskaya Oblast, and/or Mr. Orlov, BGK in Novgorodskaya oblast.
  - Interview with Jon Lauritzen and/or Isaeva Nadezhda from Cargill in Efremov, Tula region
- 5 days to summarize the findings/writing of business model/preparing final PowerPoint Presentation

### 2.2 Outputs

- PowerPoint Presentation report
- Business leads
- PowerPoint presentations of the project results and business model to the interested Dutch companies and Topsector Agri&Food
- Potential new PPS

### 2.3 Dissemination to target groups

- PowerPoint presentations of the project results and business model

## 3 Project organisation

### 3.1 Project team (Wageningen UR)



Name	Organisation	Role	Email address	Telephone No.
Natasha Valeeva	LEI, Wageningen UR	Project.leader & Researcher Markets and Chains	natasha.valeeva@wur.nl	0317484753
Ingrid de Jong	WLR, Wageningen UR	Researcher Poultry husbandry, Adaptation physiology	ingrid.dejong@wur.nl	0329238129

### 3.2 Involved parties (besides Wageningen UR)

Name	Organisation	Role	Email address	Telephone No.
Peter Vingerling	Vencomatic BV te Eerstel	Chief Commercial Officer & secretary for the potential consortium	peter.vingerling@vencogroep.nl	0497517380
Anton de Weerd	Marel Stork Poultry Processing te Nuenen	Managing Director	contact through the consortium secretary	
Robert Wind	Teeuwissen Products BV te Cuijk	CEO	contact through the consortium secretary	

### 3.3 Monitoring and evaluation

The project team and involved parties will regularly inform each other on the project status. The Top Team A&F International (Suzanne van Tilburg) and Agricultural Counsellor (Philip de Jong) together with Agricultural Attaché in Moscow (Erik Smidt) will monitor and evaluate the process in a timely manner. There will be a final meeting at the end of the project to evaluate the project.

## 4 Budget

*Budgets 2014*  
Financial source

Budget

EZ/DLO  
Vencomatic BV

40 k€ incl. VAT  
Ca. 5.5 k€ (contribution in-kind, traveling with the project team for interviews)

## 5 Summary

Newly developed innovative Dutch broiler production systems lead to improved chick welfare and health, reduced environmental load, reduced antibiotics use and reduced losses of chick resources and higher yields of poultry meat. An integrated chain solution should improve the quality and sustainability of poultry meat production in Russia significantly.

Knowledge requirement for applying for a SMP: What are the market chances and what is the business potential for the consumption of poultry meat products that are produced in these kind of newly developed innovative Dutch broiler production systems in Russia?

Knowledge requirement for applying for a PPS: How to solve the scientific challenges for a Dutch production-slaughter-processing systems as chain solution to help Russian producers along the poultry chain?

Can the consortium of Dutch companies (among others Vencomatic (SME)-Marel-Teeuwissen) show international leadership by taking the economic, scientific and social strengths of this Dutch systems to entrepreneurial value in the chain all the way up to the consumer?

## 6 Project keywords:

Russia, Broiler production systems, Animal protein, Sustainable agriculture