

# Applied Newsletter

April 2017

## Challenging Times

Post the Brexit vote we are all aware of the weakening pound, but where some meat producing sectors, such as pork, have seen this as a strength and seen a rise in the domestic prices as imported material is now more expensive this has not been the same for poultry.

As a nation we produce around 19M birds per week and consume 22M, nearly self sufficiency, however the consumer prefers more breast meat than legs, thighs or wings and so in terms of kilos eaten we import 40% of the kilos we eat as breast meat. This 40% imported material is now more expensive due to currency and so the only way processors can balance their books is to reduce margins for home grown product.

Some might say why don't we produce more breast meat at home but the issue is dealing with the legs, thighs etc that we don't want, killing more birds leads to more of the parts we don't want which have to be exported and until all trade agreements post Brexit are in place who knows where these can be traded going forward.

All in all it gives us a challenging market. We are not alone however, as I travel around the globe presenting and talking to the industry all parts of the globe have their own issues. Be it rapid expansion in Poland, the Russian restriction on imports, country specific politics, consumers concerned about avian influenza eating less chicken, I see it all.

Back to home though there is no doubt that sharing knowledge as a group and trying to drive the most from the farms through innovation and hard work is essential.

## Good Time to Be Part of a Larger Group

The benefits of knowledge sharing be it from innovation and trials work we do or the information I gather as I visit and present at conferences around the world is not to be underestimated. If there are ways of driving performance we will find them. Of course, we are dealing with animals and as such nothing is predictable but we are learning all the time and I can assure you all we are using this knowledge on your farms.

## New Skills Arrive Soon

As our services have developed we have felt we want to further support our clients in the ways in which they see the most benefit. To this end we have recruited some extra staff with the skills we think we want to see on your farms.

We have recruited 2 more individuals for relief manager roles as we see that you all want us to help when your own staff are sick or need a break and we have been struggling to do this with outsourced staff reliably enough. We also feel that this can be a training ground for future managers.

We have a new role being filled which is a training and farm standards role as we feel more formal assessment of individuals needs will help us all excel and development of individuals has to be seen as a good thing.

We are also adding more technical skills to both the remote monitoring service by way of additional highly trained individuals as well as data checkers and some of these individuals will also be assisting with our global work.

### **Customer Lobbying Pays Off**

One integrator has regrettably reduced margins from January this year. We saw this immediately and campaigned in the background in a very active way to turn this trend around. I am pleased to see that as of birds placed April 1<sup>st</sup> we did see this turn in the right upward direction for margins, but we all have to accept where killing plants are full and farms are not able to move between factories, combined with an integrated model room for negotiation is limited. For the sake of future relationships given the farms contracts with their customers, the integrators, we felt a very positive lobbying strategy was the best and we are happy to say we truly felt we made a difference for our clients and relations with integrators remain strong.

### **New Veterinary Support Proposal**

Most of you who work with us are in a production model where veterinary support is part of your contract with the integrator. As a company, we have always felt that whilst the current vet service is good it isn't excellent as it is paid for by the integrator not the specific farmer, hence some services can be a little generic, perfectly satisfactory but not showing excellence by way of predictive or pre planning services. Based on previous data and knowledge we must be able to devise a service that reacts quicker to specific issues, such as poor chick quality. If we saw an issue yesterday and we see it again on another farm today we must be able to react quicker to today's problem.

We have been negotiating with a veterinary group to see if there are benefits in us having our own additional paid for technical support from their vets. Our own team are experienced in the field but we don't employ vets and don't intend doing so and so any extra technical help we can get to ensure we get the most from your farms is essential. Of course, nothing in life is free and this aim of ours to take on extra knowledge comes at a time when margins for us all are under pressure and so we will keep you informed of the progress of this.

## **New Software to Aid Communication**

Many of you have now seen the new software we are using to monitor your farms and communicate with you and your managers. For those who haven't we are working on it, some IT issues, mainly connectivity, have slowed progress.

The aim of this software is not to replace existing systems we use but to add extra means of communicating, sharing information and logging comments following site visits. In addition, it has built in predictive software that predicts based on yesterday's data what it expects to see today.

For us we hope the cost is outweighed by the benefits and universally around the globe we see communication as still one of the biggest limits to any business's success.

## **Innovation Way Forward**

We have 3 pillars in our company, farming, innovation and monitoring. It has always been an interest of Applied to push the boundaries of innovation and the lessons we learn from this are hugely valuable to all our clients. We are already involved in 2 small UK Government funded projects and subject to changes, with the call of a general election, we are in line for involvement with 2 larger funded projects in the near future. Some of our current projects include:

- Electronic noses to detect diseases 3 days before you see symptoms
- Micro Flora analysis to allow us to analyse daily gut micro organisms such that we can decide which bacteria may need to be introduced by way of probiotics to maximise gut health daily
- Robotics in the sheds to either collect dead birds, interact with the birds or simply give more data.
- Better water line sanitation including on farm water test results in seconds

## **Avian Influenza (AI)**

As the imminent threat of Avian Influenza decreases in the UK with the arrival of spring and the departure of migratory birds it may seem that the pressures of AI have passed for now. However, we believe we are all needing to operate our businesses accepting AI will be a regular annual occurrence. We have previously linked our clients to great value insurance for the clean up costs and are also offering assistance in getting a formal plan in place just in case the worst happens at some point. This includes pre-planning disposal of wash water, manure, PPE, re housing staff etc. All the things that would be needed in the worst-case scenario and will need to be acted upon quickly. The cheapest and best way to do this is to have a comprehensive plan in place now.

As I travel the world I am surprised at how behind the UK is regarding biosecurity so as a team we are appraising each of your farms and with the new farms standards officer role starting in June this will be a target area.

## **Integrator Awards**

I would like to congratulate the farms we work with and our own team for achieving some great results last year. Within the group, we have seen top grower average EPEF awards in 2 regions recently, along with great runner up awards and we had the highest EPEF for the year of 423.5, although it wasn't given to us as we did it on cycle 8 of the year and they only count the first 7 cycles, I suppose they had to give something to someone else. We continue to regularly exceed 400 EPEF's, although not all chick and feed supplies allow it, and we are all trying hard to earn the most p/M<sup>2</sup>/ week margin for you our clients.

I hope this has given you a rare documented update of why you are involved with ourselves at Applied and I hope to continue to give these updates when I feel there is something worth reading.

The logo for Applied features a large, light purple triangle with a white outline. Inside the triangle, at the bottom, is a light blue circle with a white outline. Below the triangle and circle, the word "Applied" is written in a large, light purple, sans-serif font.

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