Twenty-five years ago the poultry industry looked completely different than it does today. Then you could drive through the country and see two or even three poultry houses tucked back off the main road with a nice brick rancher, where the grower lived somewhere in view of the farm. In today’s landscape, the farm looks completely different than it did in previous generations. Today’s operation is closer to six, eight or even ten houses, the farm is way off the road, and the grower might live within a mile of their farm with the farm tied directly to the internet in order to alert the grower of any potential risk involved.

So, where does the term return on investment (ROI) come in? Return on investment is a term used in the business environment to let investors know how long it will take for them to get a return on their initial investment. For some, it may be five years before they see a return on their investment, and for others they might see a return in 20 years. So, how does ventilation tie into ROI? I want you to consider looking at ventilation as an investment in four to five key areas.

The first area where a poultry grower needs to invest is in the environment of the house. Creating the ideal environment for the chickens to grow in costs money. This is an investment that the grower will see only when the flock sells and he/she gets paid for raising the flock. A couple of key areas to invest in are great air quality (which includes low ammonia, low CO2, and low dust) along with the ideal temperature to provide perfect bird comfort. When the weather turns cold, a grower continues to run the proper amount of air in order to ensure good air quality, while others are cutting back on their ventilation to prevent a higher propane bill. This decision compromises the birds’ comfort and health, which will later show up in higher conversions, higher condemns or mortality. Creating the best environment will cost a little more but it will pay good dividends in the end.

Another area for consideration when looking for an ROI is in your equipment selection. Today’s market place is not any different than other business markets. There is a price point (price that consumers are looking for at which they feel the value is comparable to the price) for poultry equipment. We have all heard the saying “cheaper is not always better,” and we can say that with confidence when we look at pricing equipment for a 40-year investment. Consider the following example: Every poultry house has ventilation fans. For the sake of simplicity, we will say that every fan in the house is a 48-inch fan. The house needs a total of 12 of these fans. When pricing fans, one can expect to pay somewhere in the range of $800 for a galvanized prop exhaust fan on the low end to as much as $1,400 on the high end with a fiberglass prop exhaust fan. If you are buying 12 fans per house and you are building six new houses, there is a difference of $43,200 between buying a low-end fan and a premium fan. One would be tempted to go with the low-end purchase; however, when looking at the CFM per watt, the premium fan will pay for itself and create a significantly lower cost in electrical costs for the life of the fan, thus increasing one’s long-term profits. BESS Lab is the industry leader in providing the framework for each and every fan made for poultry houses. Simply put, when you are looking at equipment, think long term and efficient in order to make a good investment.
The third most-often seen mistake in the industry is not understanding how to run a poultry farm like a business. The industry is full of multigenerational farmers who have gotten into the business because they had a family member who grew chickens and enjoyed the benefits. However, when looking to build houses, or if you have been growing chickens for 15 years, one needs to run his/her farm like a business and not like a chicken farm. Think of it this way: If you were to take the same money you borrowed to build six new houses and invested it in a restaurant franchise, they would require you to follow their proven plan of success and profitability. Some of the stipulations for franchisees are: completely overhauling the cosmetic structure every six years, changing out the seating every four years, replacing the flooring every six to eight years, and applying new paint every two years to the interior of the building. This is just an example, but it is a mandatory requirement in order to be a part of the franchise that has proven success in other parts of the town or country. All these updates are very expensive; however, over time they continue to allow the owner to profit by keeping customers coming through the front door. A clean look helps attract business and keeps customers coming back. A franchisee may easily spend hundreds of thousands of dollars simply keeping his/her restaurant up to date. When you invest that same amount of money in a poultry farm, it is vital that you update your equipment, your structure and your technology to maximize profits. In the last 15 years, the industry has developed a few cost-saving products that allow growers to update their housing while also utilizing lower dependence on electricity and propane. A few examples where wise investments can be made are the following: environmental controllers, lighting, replacing old, inefficient fans, circulation fans, solid walls, reinsulating ceilings and many others. Our industry needs to look at the poultry houses as a 45-year investment, much like a franchisee, instead of a building and not making updates to it.

Most investments have a targeted approach, and a poultry operation is not any different. Knowing where to invest for the best return is very important. Recently, there have been programs available that will audit your operation and let you know where opportunities are to save money. The program will quantify the savings and investment and give you a ratio in order that you may compare the investment versus the savings. These energy audits are extensive and very detailed-oriented; therefore, they provide a road map for extended profitability. One of the largest expenses that growers incur is the amount that is spent on heating and energy. This is where the audit will focus. Minimum ventilation fans in older houses simply are not efficient anymore. It is rare to find someone who will pull out those old fans and replace them with fans that pull more air, thereby being more efficient and allowing the grower to pull air to the desired static pressure. In almost every situation where a grower pulls out an old 36-inch fan and replaces it with a high-efficiency fan, we hear the following: “I wish I would have done this years ago. It completely changes how my house runs, and I use less fuel and energy.”

The last area that we need to focus on is profits and reinvesting. Anyone who has been in the poultry business knows that we are not a get-rich-quick business. It is taking longer and longer to get returns on our initial investments with longer loan terms; however, once we start making bigger profits, what do we do with the money? A mistake that is made way too often is when a grower needs to spend a portion of the proceeds to minimize his/her taxes. More times than not, the grower will purchase a new truck, a utility vehicle or a new piece of machinery for the farm. Although these items are nice to have, in most cases they simply are a tax deduction and not an improvement to the business. Why not get the deduction from some new fans or add equipment and see the results from lower energy costs? By delaying the “wants” and purchasing these other items, the grower can use the energy savings later down the road to fund a newer truck or equipment for the farm. One of the biggest mistakes growers tend to make is that they want to buy a newer vehicle for tax reasons instead of purchasing more efficient exhaust or tunnel fans, which will lower their electric cost for the next 15 years. Both will save them on taxes; however, one will save the grower money and will pay better dividends in the end. A few examples of reinvesting for a ROI are: going from curtain-sided to solid walls, stir fans to destratify heat buildup, installing environmental controllers, newer minimum ventilation fans, energy-efficient lighting, new heating sources and the list goes on.

In conclusion, when we are looking for a return on our investment, we don’t have to wait for five to ten years. We can capture returns at the end of a flock (60 days or less) when we invest it properly. Growers have choices when
it comes to getting a return on their investment: He/she may make “wiser” fan choices at the beginning of the journey of growing chickens, reinvest in newer, efficient replacement fans, run the needed amount of air in order to provide the ideal environment, and anticipate the desired gain at the end of the flock. As you can see, ROI is not just a business term that is restricted to Wall Street. At the end of the day, every poultry grower needs to weigh the cost and benefits of investing wisely now and reaping the rewards for months and years down the road.