



An invitation to subscribe to

“Asian ASF – Global Impact Analysis”

The Black Swan Event of a Generation

Post Production Brochure

October 2019

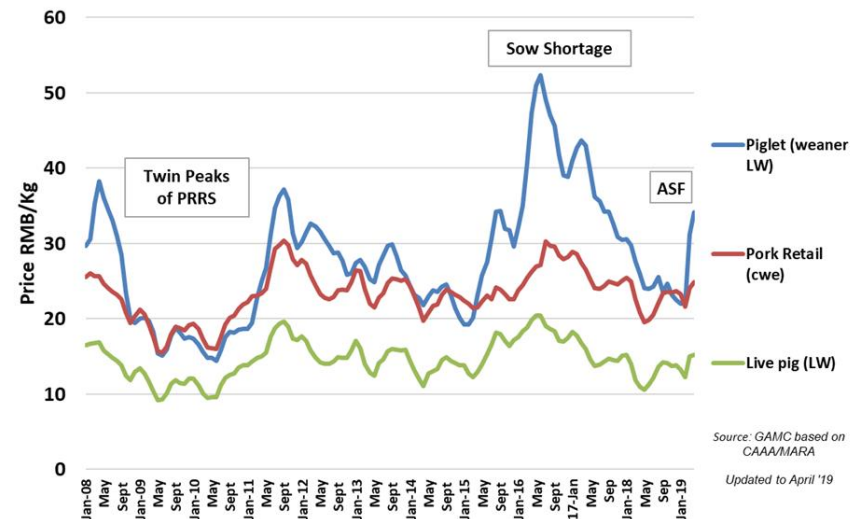
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ASF in China has become the disruptor of a decade...

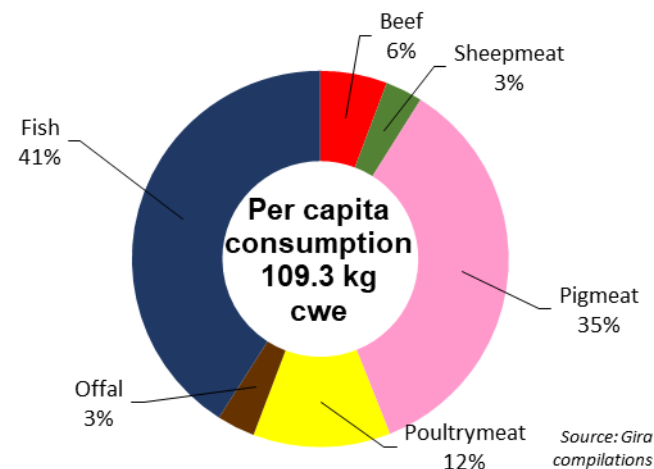
The **rapid spread of ASF** through China's naive and fragmented pig herd is **decimating supply**. It is claimed that some regions have lost 80% of the standing herd. The repercussions are massive: in China, in Asia ... and for the Rest of the World. Yet even now the magnitude, duration and reach of the crisis is shrouded in uncertainty:

- Gira now estimates Chinese pork **production to fall 18 mio t cwe** in 2019... with further losses in 2020.
- The pervasive nature of ASF means that **farms are not re-stocking** after an outbreak ... yet, and the presence of wild boar in China will provide a long term natural reservoir for the disease.
- This means the **decimation of China's backyard** and small scale pig industry, removing a significant share of supply in a short period of time.
- Large scale modern farms were already being championed by **the Chinese government, but** industrialisation will now need to develop much faster. This will require huge investment from farm to processing and onwards, to the evolution of a modern chill chain. This can't happen immediately, but it is *now* a clear government of China priority, and it has huge strategic implications for China and the rest of the world.
- Chinese meat prices are now soaring**: having been flat, in the case of pork, for 1H19. These record prices create opportunities!
- Somewhat surprisingly, pork imports remained lacklustre in the first 5 months of 2019. Import demand was stronger than 2018, but nothing like the levels the global industry was expecting; there seems to have been a significant demand drop in spite of no human health risk: Why? Was there a significant stock surplus in the market? And/or are other strategic 'games' being played?
- Either way, China now needs **significantly higher imports** from the world market. The reality is that there is simply not enough pork globally to plug China's gap!
- The demand gap is already creating pull for chicken and beef, and it will be the **dominating factor for all meat prices in 4Q19** and the following years. But for how long?
- How should we read the mixed signals that China is sending the world?
- What will be the **depth and reach and timing** of the ASF crisis elsewhere in Asia?

Chinese National Pig Prices 2008-19 (monthly)



Per Capita Protein Consumption - 2018



The objective of this crisis impact report is to provide clear insight into the evolving ASF situation in China and its impact on the global meat supply chain.

The focus is to allow those working in the global meat industry to better understand the impact ASF will have on their businesses today, and in the mid-term.

In order to achieve this, the report lays out:

- **The defining factors of ASF, its current situation in Europe and Asia, and what is being done to tackle the issue.**
- **Details of the current ASF situation in China** and how it is expected to evolve over the next 5 years.
 - The impact on Chinese pork production – how China can rebuild production and to what level.
 - The current market outlook and price situation.
 - What support is being offered to the Chinese industry to rebuild, and what will drive that process over the mid-term.
 - The impact on demand for pork and for other meats in China – what can their supply chain do to react to the opportunity?
 - The Chinese consumer – what is going on, and are we looking at a structural shift in demand?
- **The immediate global trade response;** the global pork industry is responding from the supply base they have today, not from one that's been built to supply this massive structural shortfall. So what is going to happen?
 - Global pork supply is limited, a number of trade barriers exist to China, and the reality is there is no possibility of filling the gap. The study examines who will be the biggest winners and why in 2019.
 - The implications in other global markets, both the exporters' domestic markets, and import reliant markets.
 - The opportunity for other proteins.
- **Long term global implications,** how does the world's pork industry adjust to the situation as it develops.
 - China will rebuild a pork industry, but in the interim, there will be enormous stress on the global supply chain. Should producers be investing? Is this a short or medium term opportunity, or will China become a long term market?
 - **Who in the global supply chain can take advantage of the situation, and what are the implications on the rest of the world** in the mid-term?
 - Impact on the other meat species in Asia and other regions, other proteins and foods (including dairy),
 - Disruption to the feed and feed ingredient sector – There will be an add-on available for dairy companies explaining the impact of ASF on their business.
 - Opportunities for equipment suppliers etc.

Today the Global meat industry is struggling to understand the scale of the issue and its implications across all sectors of the livestock and meat industries.

To help clarify the situation Gira has:

- Provided a reference point at an uncertain time.
- Linked the various implications and issues back to the root cause.
- Carried out a strategic assessment of future impact.

The work on this Gira 'Crisis-Impact' report was carried out in 3 distinct stages.

1. Combination of Gira's existing insight and data from the Gira Meat Club, updated with the latest data to provide an accurate description of what has happened since the outbreak of ASF, in China, and global trade.
 - Significant update of Gira's view of the current ASF situation in China, based on the latest numbers, and Gira's understanding of the forces at play in the market. Production collapse, regionality, correlation to size, structure & biosecurity ...
 - Updated trade insight, based on available data.
 - Cross species impact on; chicken, beef and even sheepmeat!
2. Extensive interview program with key industry players.
 - Chinese companies across the supply chain, from feed mills and breeders to processors, traders, retailers... and those with insight to the government.
 - What is really going on in China, beyond the data.
 - What are the internal discussions for the rebuilding of the industry in China.
 - The international field; producers, industry associations, exporters and investors. What is the global response going to be?
 - Can production develop, or will product be diverted from other markets.
 - Who is best placed to take advantage.
 - Opportunities for the chicken industry.
3. The think tank – using Gira's decades of experience, and the insight and numbers gleaned in steps 1 and 2, what scenarios are really plausible.
 - By pooling Gira's significant in-house experience to discuss the different scenarios and the impact they have in China and globally on both pork and the other proteins, Gira has formed a view of how much pork and other protein can be made available for China, and where it will have to come from. Who are the long term winners in this situation.

Gira has made full use of its established global meat team, to gather the most up-to-date information. They were supported by the in-house interview team, specialised in getting difficult and informative interviews with a range of the leading global players.

The report is produced in English in a PowerPoint style report, and made available to clients in a searchable PDF format.

Executive Summary

2 pages of the key factors for operators throughout the value chain, and investors.
Strategic implications of this unfolding crisis in China and Asia.

The ASF Situation:

What is it, where is it, how has it spread, and what is and can be done to limit its impact in the future.

The Chinese Situation and Outlook:

How bad is it really in China today, what is happening on the ground, and the mid-term developments, detailing:

- The situation in the pork supply chain today, and the impact of ASF on breeding, farming and production.
- Extent of the Chinese production fall for pork: prices and the demand shift to other foods: Immediate implications
- Chinese government reaction to support producers, and the options on the table as the crisis evolves.
- Mid-term recovery strategy – who is investing and where in the Chinese supply chain.

Other Asian Markets ASF Risk:

Overview of the importance of pork and the likely impact of ASF in key markets across Asia.

Global Trade Response for 2019:

Who and with what products is taking advantage of the vast supply gap in China's pork market?

- Which global exporters are best positioned to increase supply, and how could this be achieved?
- Repercussions on trade to other destinations.

The Global Reaction beyond 2019:

Are the key global producers prepared to invest in increased supply and infrastructure? Should they?

- Is there a sustainable growth in production based on Chinese demand, and who is investing?

ASF Special Webinar – Recorded 4th October 2019

Presenting all the key facts and views from the study.



Gira

Asian ASF Crisis Study 2019

4th October 2019

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Gira ASF EU

Most cases are in Eastern Europe, but Belgium proves big jumps are possible

ASF entered the EU via Lithuania in January 2014 from Russia. It has since spread to 10 countries, mainly in Eastern EU.

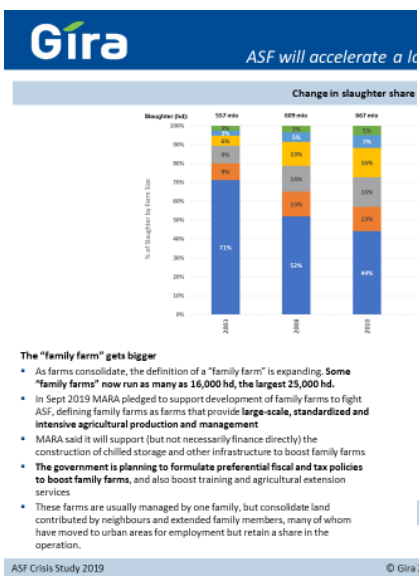
- Cases of ASF are very slowly spreading west, with wild boars being the major vector.
- The majority of EU cases are wild boar, which roam freely across most of the EU.
- Cases on farms have been limited to Eastern EU countries (so far), and are largely on smaller farms with weaker biosecurity. There have been cases on large farms, usually linked to lapses in biosecurity: normally people or vehicles bringing ASF on farm.

EU countries with ASF - 18th September 2019

- Belgium, Lithuania, Latvia, Estonia, Poland, Slovakia, Bulgaria, Romania, and Hungary

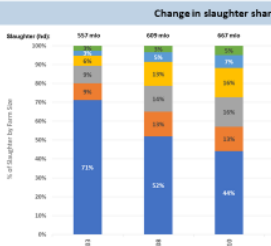
Key impact so far on the EU commercial pig industry

- Direct impact from significant financial losses on farm due to mortality and empty farms following infection in in eastern Europe.
- Secondary impact from trade bans, which are financially more severe. 2 types:
 - Regional trade ban – imposed on a region with either wild or domestic case of ASF. Can't export pork to any market.
 - National trade ban – more severe, no export from the infected country to select export markets which do not recognise the regionalisation.
- Little or no impact on local demand for pork in infected countries, unless it is

Gira ASF will accelerate a...

Change in slaughter share



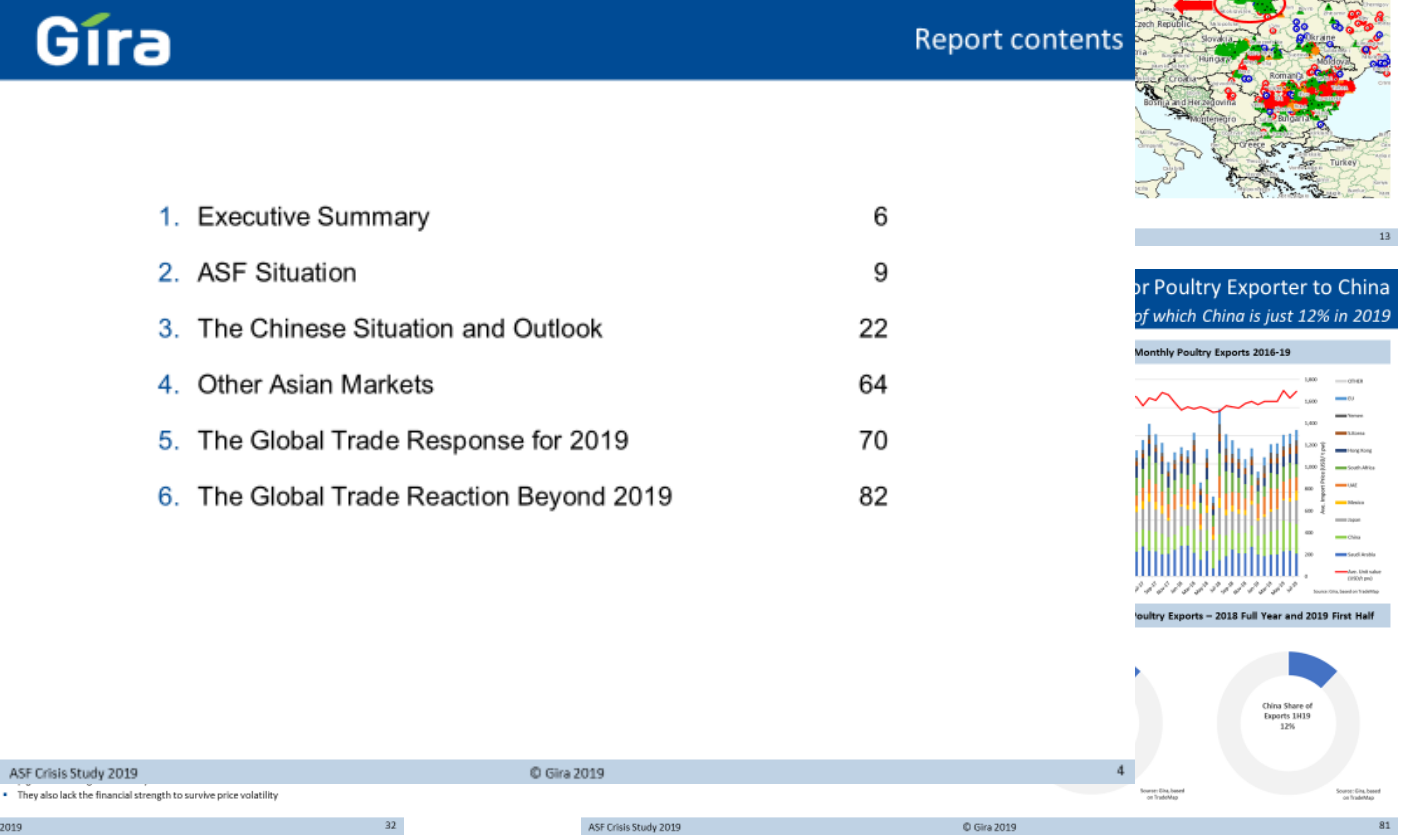
Year	557+ hd	609-557 hd	607-609 hd
2008	71%	27%	2%
2009	57%	34%	9%
2019	44%	33%	23%

The "family farm" gets bigger

- As farms consolidate, the definition of a "family farm" is expanding. Some "family farms" now run as many as 16,000 hd, the largest 25,000 hd.
- In Sept 2019 MARA pledged to support development of family farms to fight ASF, defining family farms as farms that provide large-scale, standardized and intensive agricultural production and management
- MARA said it will support (but not necessarily finance directly) the construction of chilled storage and other infrastructure to boost family farms
- The government is planning to formulate preferential fiscal and tax policies to boost family farms, and also boost training and agricultural extension services
- These farms are usually managed by one family, but consolidate land contributed by neighbours and extended family members, many of whom have moved to urban areas for employment but retain a share in the operation.

ASF Crisis Study 2019

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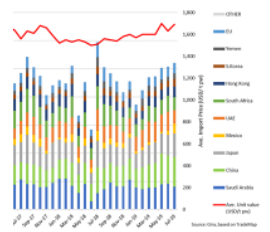


Gira Report contents


- Executive Summary 6
- ASF Situation 9
- The Chinese Situation and Outlook 22
- Other Asian Markets 64
- The Global Trade Response for 2019 70
- The Global Trade Reaction Beyond 2019 82

or Poultry Exporter to China of which China is just 12% in 2019

Monthly Poultry Exports 2016-19



Poultry Exports – 2018 Full Year and 2019 First Half



China Share of Exports 12%

ASF Crisis Study 2019

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Timing

Available immediately. The study was completed at the end of September 2019, and the webinar was held live for founder clients on the 4th October.

Subscription

The [Post Production subscription](#) to the crisis-impact programme costs **Euros 9,000** (before any applicable taxes). This price will increase subsequently for clients who subscribe after publication of the research.

- Gira Meat Club and Gira Asia Meat Club members can subscribe for **Euros 7,000** (reflecting a 22% discount).

Payment will be requested as follows:

100% on signing of the contract,.

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Client	Country
Abbott Laboratories	Intl.
ABF	UK
ABP	IE/UK
Agri Ranch	US
Agroeco	RU
AHDB	UK
Alic	JP
AMIC	AU
Animex (Smithfield)	PL & Intl.
Asporcicultores	CO
Australian Pork Ltd.	AU
AVEC (European Poultry Association)	EU
Aviagen	Intl.
Bain	Intl.
Bemis	Intl.
BRF	BR - Intl.
Bunge	Intl.
Canada Beef	CA
Canada Pork	CA
Canadian Cattleman's Assoc	CA
Cargill Inc	US
Cargill Meats Europe	EU
Cobb	Intl.
CP Foods	Intl.
CFG (Campofrio Food Group)	EU
COV	NL
CP Foods	TH
Danish Crown	DK
Danish Farmers Abroad	DK
Dawn Meats	IE/UK
DSM Nutritional Products	Intl.
DuPont	Intl.
Elanco	EU/Intl.
European Commission	EU
FAO	Intl.
FECIC (Catalan Meat Industry Association)	ES
Fedegan	CO
Fenavi	CO

Client	Country
Foss	DK
H.K. Scan	SF (Finland)
HCC	UK (Wales)
Hilton Food Group	UK/EU
IFC (World Bank)	Intl.
I.M.S.	Intl.
INAC	UY
Inalca/Cremonini	IT
Inaporc	FR
Interbev	FR
Irish Food Board	IE
JAPFA	Asia
JBS	BR - Intl.
Kemin	Intl.
Landbrug & Fødevarer	DK
LMC	UK
McDonald's	EU
Meat & Livestock Australia	AU
Meat Industry Association NZ	NZ
Minerva	BR
Multivac	Intl.
National Pork Board	US
Nutreco	NL - Intl.
O.E.C.D.	Intl.
Pfizer	Intl.
Rabobank	Intl.
Rusagro	RU
Scottish Assoc'n of Meat Wholesalers	UK
Sealed Air	Intl.
Silver Fern Farms	NZ
Smithfield (WH Group)	US/CN
UECBV	EU
Unic	IT
Unigrains	FR
USMEF	US
Vion	NL/DE
VLAM	BE
Westbridge Foods (CP Foods)	UK

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