



Potential impact of an HPAI outbreak in Brazil on the global poultry industry

Proposal for a crisis study

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Background: HPAI has swept south out of North America, carried by wild birds, spreading Highly Pathogenic Avian Influenza (HPAI) across South America. To date no cases in commercial birds have been reported in Brazil... but it is in most neighbouring countries.

The situation: **The worst outbreak of HPAI seen in the western hemisphere.**

- The current HPAI outbreak started in October 2021 in Eurasia and spread to the Americas, **the strain is notably different**, more contagious than those seen in Europe to date, and has subsequently spread rapidly from Europe to the Americas.
 - For the first time avian flu spread to South America, recorded first in Colombia in October 2022 and reached Uruguay in February 2023. Wild seabirds were found dead carrying the virus in Espirito Santo, (mid-way up the eastern coastline of Brazil) on the 15th of May 2023.
 - Other regions are severely hit at the same time, specifically Europe, Eastern Asia and North America. This has led to constrained poultry & egg supplies, disruption to breeding stock, and disruption to trade flows of breeding stock, meat, and eggs.
 - The current H5N1 strain seems to be endemic in certain regions such as Europe, questioning a long-term impact, is this latest variant set to become endemic, will it necessitate a rewriting of the rule book for how HPAI is treated?
- HPAI outbreaks have several dramatic impacts on the poultry sector, and these can be charted from the disruption seen in the Thai industry following their outbreak in 2004.
 - Historically, the major impact came from variable-geometry approaches of trade bans from partner countries. This for example led to a sharp restructuring of the Thai poultry sector following the 2006 HPAI outbreak.
 - Whilst production losses are an immediate effect, the most severe impact comes from trade losses, with different treatment of an outbreak by different import countries. However, the potential impact of this particular strain on various production stages should not be overlooked and may lead to direct production disruption. Moreover, indirect ripple effects can also disrupt poultry markets in already HPAI-hit North America and Europe.
 - There will be winners and losers, at both a local level and a more generic global level. How can we read ahead?

The Risk: Brazil's poultry sector is a major global producer and a major contributor to supply in many markets, accounting for 33% of total traded poultry.

- The risk of HPAI in Brazil is two-fold, with significant global ramifications:
 - Firstly, the direct ramifications on production in Brazil, from losses through infection, and a reduction in confidence in the sector as producers reduce hatching egg placements.
 - Secondly, the impact on global supply. Will import countries implement a total and instant ban on imports of Brazilian poultry, or a more tempered regional approach, but what happens with their supply...?

Until Brazil declares an outbreak in commercial birds there are many unknowns, not least when and where (Brazil is a big country). But also how might the key importers react, and what is the ripple effect? This study will set out the scenarios and revisit them after the event. Forewarned is forearmed.



Project go-ahead announced



6-8 weeks later:
Report released

The Report

50 pages in Gira's PowerPoint format

- The evolving HPAI threat
- Potential impact on Brazilian poultry production
- Scenarios for impact on global poultry Supply
- Winners and losers

Webinar on release of report



Briefing Webinar

- 60-minute webinar (live and recorded)
- Key findings of the report
- Main scenarios
- Key variables and watch points
- Including a Q & A session

Brazil announces 1st HPAI event on a commercial farm



6-8 weeks later:
Follow up webinar



Impact Webinar – How are the scenarios developing

- How are the scenarios developing?
- How are the scenarios playing out?
- How have global markets reacted?
- What does the outlook for Brazilian production and trade now look like?

The Report

To provide a pre-brief to companies involved in the global protein supply chains, what should their teams be aware of, and how can it play out globally?

The overarching objective of this project is to help companies make decisions when the HPAI outbreak happens. The situation will move fast and the need for information will be paramount. To achieve this Gira proposes two key areas of focus:

Brazil: Assess the **potential impact of an HPAI outbreak and its development in Brazil.**

- Looking at Brazil: the main Brazilian poultry companies their supply structure and their short and mid-term outlook – without HPAI.
- How does the location of ground zero impact the Brazilian industry and its response?
- The role of the domestic market in absorbing production.
- Does the Brazilian industry and government have a plan? Are they equipping? Educating? What will be the day-1 response?

The rest of the world: And again here is best to consider two parts:

- The import markets:
 - What is their import reliance?
 - How reliant are they today on Brazilian poultry imports? Do they have other sources?
 - Any historic indicators as to how they treat HPAI in a supplying country? Total ban, regionalisation, compartments? Can they live without Brazilian Poultry?
 - Will their market go short... or if they stay open could they be flooded with low-cost Brazilian poultry looking for a home?
- The other exporters:
 - They stand to win on paper at least... but are they constrained? By HPAI, physical capacity, quotas, or costs?
 - Can they supply the right product? At the right price point?

The focus of this is to allow those working in or with the global meat industry to understand the impact HPAI in Brazil will have on their business today and in the mid-term.

The Impact Webinar

6-8 weeks after the first Brazilian commercial outbreak is announced – how are the scenarios playing out, and how has the outlook changed?

The situation will change fast once HPAI is announced in a commercial poultry flock in Brazil, necessitating an update on the situation:

- Where and when did HPAI strike? How is it spreading?
- What production reaction is being seen in Brazil?
- How have the global import markets reacted?

Methodology

Gira is uniquely placed to carry out this research project and will have a two-step approach.

1. Mapping-induced risk of an outbreak of HPAI in Brazil

- Gira will map the risk of an HPAI outbreak along the Brazilian poultry value chain, while also considering that the risks are not evenly geographically distributed in Brazil with specific risks associated with export-oriented states.
- Gira will also consider the likely impact on main Brazilian poultry export destinations since it represents the vast majority of volumes imported from some key Asian and Middle-East markets.
- Commentary on Brazil's risk management and HPAI action plans. Follow up in "Impact" webinar on effectiveness!
- Consequently Gira will also map opportunities and challenges for Brazil's competitors on the global markets.
- Ultimately Gira will pull together key assumptions and assess several scenarios for when avian flu breaks in Brazil.
- This will be done through a combination of Gira's existing database of information, desk research and interviews and discussions with key players in Brazil and key export markets around the world.

2. The think tank: Using Gira's decades of experience, and the insight and numbers gleaned in step 1, what scenarios are really plausible?

- By pooling Gira's significant in-house experience to discuss the different scenarios and the impact they have in Brazil and globally, Gira has formed a view of how important Brazil is in the international poultry supply chain. Who are the long-term winners and losers in this situation?

3. Quantifying scenarios: Recognising that there are still many variables, model how these could play out in the real world:

- From the risk map and built scenarios, Gira will quantify the potential outcome of an avian flu outbreak at short, mid and long-term time ranges in terms of poultry production and exports but also its impact on the grain & oilseed market.
- Benefiting from Gira's longstanding Gira Meat Club expertise, the exercise will be carried out at the global poultry sector level. Quantified impact estimations on key poultry markets will be provided with a mid-term range.

Scope of the project

In order to deliver this project quickly so that the information is in place in a timely manner Gira will limit the scope:

- Potential new HPAI outbreaks in other countries will not be modelled into the scenarios.
- The impact on other species will be mentioned, but not modelled.
- Production disruption will focus on Brazil.
- The impact on individual producers in Brazil will not be modelled.

Timing:

The nature of the impending crisis dictates a short time frame for this study, with 2 distinct phases:

- Phase 1 – The main report: delivered 4 weeks after the go-ahead for the project.
 - Timing will be dependent on founder client support being received quickly.
- Phase 2 – the follow-up “Impact” webinar: 6-8 weeks after the first outbreak of HPAI is reported on a commercial farm in Brazil.
 - If this happens before the report is released, it will follow 6 weeks after the release of the initial report.

Fee:

The subscription to the crisis-impact programme costs **Euros 9,500** (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** (before any applicable taxes), reflecting a 26% discount.

Payment:

100% of professional fee invoiced on commencement.

Reasonable Endeavours:

The Gira team will work on this project on a reasonable endeavours basis, and with normal hold-harmless protection.

We are aware that our role is to give clear, professional, focused, commercial opinion and advice.

The Gira Team

This assignment will be supervised by Rupert Claxton

- **Rupert Claxton** is a partner at Gira and supervisor of all Gira's meat activities. With over 20 years of experience in meat consultancy and research, he supervises and presents the annual Gira Asia Meat Club (GAMC) and has a range of core experience, including running Gira's 2019 ASF Crisis Study, and 2020 Covid Impact Study.
- **François Cadudal** is a senior consultant with Gira, following a 10-year experience within the European poultry industry. More specifically, François experienced four significant AI outbreaks alongside the French poultry industry and carried out ex-post economical analysis on the topic.
- **Laurène Bajard** is a consultant with Gira, who has spent the last five years working on the Brazilian meat industry and its role in the global supply chain. She speaks English, French, Portuguese, and Spanish.
- **Other Gira regional team Members** will join this study as needed.

Gira

Over the last **50 years**, Gira has developed a major reputation and client base in the **international meat sector**.

- Gira has carried out many assignments in recent years for worldwide meat boards and companies.
- Gira has recently completed crisis studies on ASF in China, Covid-19 and the Ukraine War.
- Gira has produced 47 editions of the Gira Meat Club as well as 11 editions of the Gira Asian Meat Club giving extensive and year-round knowledge of the industry.
- Gira is active in **strategy consulting** and **market research** in most food and drink sectors worldwide (more details are available on www.girafood.com).
- Gira's extensive **network of international experts, contacts and clients** in most poultry & meat sectors means that Gira is uniquely qualified to carry out this research and analysis project in a cost-effective way. Experience has also shown that our **long-standing reputation** for research and consultancy in the global market opens doors for us to the most informed and competent sources of information.

Abbott Laboratories	Dairygold	Huishan Dairy	Paccor
ABF	Danish Crown	IMS	Pfiver
ABP	Dantrade (Danone)	INAC	Rabobank
Agropur	DMK	Interbev	Rusagro
Agrial/Eurial	DSM	JAPFA	Rupp
ALIC	DuPont	JBS	Savushkin
Alpma	Emmi	Kemin	Sealed Air
Arla Foods	Elanco	Kerry	Smithfield
Aviagen	EU Commission	Lactalis	Sodiaal
Bell	Eucolait	Laïta	TetraPak
BordBia	Eurial	Land O'Lakes	TVI
BRF	Fedegan	Mondelez	Tyson
Bunge	Ferrero	Meggle	Unilever
Canada Pork	FIT	Minerva	USDEC
Cargill	Fonterra	MLA	USMEF
Chr Hansen	Friesland Campina	Mueller	Valio
CNIEL	GEA	Multivac	Vion
Cobb	Glanbia	National Pork Board (US)	VLAM
CP Foods	HK Scan	Nestlé	Yili
Coveris	Hilton Food Group	Nutreco	

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