Dealing with the risk of Avian Influenza in Asia

FAST GROWING POULTRY INDUSTRY

As incomes rise throughout the region, an increasingly affluent population is consuming more protein than ever before. Much of this increase is coming from poultry, due in part to its relative affordability compared with other protein sources. Over the last 20 years, per capita consumption of poultry has more than doubled in China, the Philippines, Malaysia and Indonesia. In Vietnam, there has been a sevenfold increase over the same period.

With prospects for economic growth remaining strong in the region, growth in Asian poultry consumption is set to continue.

In order to meet the growing demand, output has increased significantly and while contract farming is still prevalent, Asia has seen a notable shift towards large scale commercial farms.

In places such as Thailand, the number of commercial broiler farms fell 25% between 2008 and 2012, although the average number of chickens produced per farm trebled during the same period. The trend of fewer farms producing greater outputs has been noticeable throughout the region.

This shift has also been accelerated by food hygiene scandals which have resulted in increasingly health conscious consumers demanding better controls in the supply chain and more stringent import/export requirements. Companies moving towards an integrated supply chain model offer greater bio-security controls and product traceability and for this reason governments in the region have been keen to publicly support a shift towards vertical integration.
The world has been living with the risk of Avian Influenza and its mutations since human infections were first officially detected in 1996.

Every year since then, there have been seasonal reports of Avian Influenza outbreaks on every continent. In 2015, the U.S experienced one of its largest outbreaks of Avian Influenza which led to the culling of more than 49 million birds, at an estimated economic cost of USD 3 billion.

As we enter the northern hemisphere winter season, another Avian Influenza outbreak in Europe is threatening to disrupt global poultry production. This year alone, hundreds of thousands of birds have already been culled to contain the spread.

AVIAN INFLUENZA ENDEMIC IN ASIA

HPAI outbreaks in Asia
(Period: 2010 to 2016)
Information Source: www.oie.int

GOVERNMENT AUTHORITIES DEVELOPING RAPID RESPONSE

The annual winter wild bird migrations is the main cause for the spread of Avian Influenza across the globe, but well prepared countries are today moving fast to deal with this recurring contagious disease.

Increased vigilance during the winter months and the creation of rapid response teams are helping mitigate the spread of the deadly virus.

For example, this month’s outbreaks of H5N6 in Japan, saw the quick actions of local government authorities in culling over 500,000 birds and rolling out measures to prevent the spread of the disease.

In the Niigata and Aomori prefectures, quarantine zones were set up restricting transportation of all poultry and eggs within a 10 km radius.

While a rapid response to new outbreaks is proving effective at containing the spread of disease, farm operators should be aware and concerned with the risks associated with animal authorities taking drastic actions to stop the spread by ordering the mass destruction of poultry infected or thought to have been infected.

In certain countries, containment measures adopted even include the destruction of feed and eggs.

Often is the case that insufficient government compensation (or sometime no compensation) is provided to farm operators, leaving many businesses with significant financial losses and often with the inability to fulfil customer contracts.
LEADING THE WAY

A good example of a country taking steps to deal with the potentially crippling effects of Avian Influenza is Vietnam. Over a decade ago, Vietnam suffered serious losses to its poultry industry from multiple outbreaks.

Over the past few years, the Vietnamese Department of Animal Health has worked closely with the FAO to develop new and improved surveillance measures to tackle the virus, all aimed at achieving high quality and safety standards of their poultry products. This has involved ensuring that any outbreaks are rapidly identified and surveillance areas within a containment zone set up.

In addition, the Vietnamese authorities have rolled-out vaccination programmes nationwide and provided financial and technological support to poultry farmers, resulting in major improvements in production, bio-security and animal husbandry.

Vietnam recorded its first outbreak of H5N1 in 2003. In 2004, it had 2,500 outbreaks in one year. By 2010 the reported outbreaks had reduced to 50 per year. In 2015 it was down to 30 and so far this year only 3 outbreaks have been reported.

CHALLENGES FOR ASIA

However, in other parts of Asia, the situation is different. Poor infrastructure and underdeveloped communication systems are obstacles to increasing public awareness on prevention measures and notifying new outbreaks.

In many countries, there are shortages of trained veterinarians and adequate laboratories for fast disease testing.

Frequently government authorities struggle to reach infected areas and carry insufficient supplies for disinfecting contaminated zones.

Importantly, a significant amount of poultry trade in the region continues to be transacted through local live bird markets, which have been linked to many causes of outbreaks.

Across the region enforcing strict bio-security measures on cross border trade is almost impossible and often leads to uncontrollable virus circulation between countries.

Despite best attempts by commercial poultry operators to adopt bio-security measures, the risks of large-scale disease spread remains a genuine threat.

“An outbreak of HPAI in the UK would have a devastating impact on the industry and disrupt international trade.”

Maire Burnett British Poultry Council
WHY INSURANCE IS IMPORTANT?

- Large investments are made to build farms, stock and maintain flocks
- Even through the implementation of best practice standards or using international equipment and machinery, the risks of poultry mortality are always present
- The loss of a house or an entire farm can have devastating effects on a business
- Transferring part of the risk to insurance makes sense
- The cost of insuring the farms does not have to be a financial burden to the business but the benefits of the protection far outweigh any premium costs
- Demonstrating to lenders and investors that the business has insurance over its bio-assets shows good management and brings peace of mind
- It also encourages and attracts more investment capital

INSURING POULTRY

The insurance industry can provide a wide range of covers that are designed for commercial poultry operators. Coverage is available to all commercial poultry farms, but broad protection, including coverage against mortality from disease, suffocation and government slaughters will depend on a number of criteria including:

- Territory
- Quality of the farms’ bio-security
- Operational systems
- Maintenance
- Welfare of the birds

GOOD OPERATIONS AND RISK MANAGEMENT

What Insurers look for:

- Good bio-security procedures – established systems for monitoring and disinfecting workers and 3rd party visitors, including vehicles and equipment
- Effective vaccination programmes
- Strong pathogen reduction protocols, including hygiene procedures for flocks and hatcheries
- Good disease surveillance and contingency plans
- Experienced farm staff
- Good pest control
- Comprehensive equipment and machinery maintenance
- Engagement with local Government Animal Authorities

CHOOSING THE RIGHT COVER

- Insuring a poultry farm does not have to be expensive
- Various options and covers are available
- JLT’s Food and Agribusiness Specialty team brings years of experience of working with the poultry industry in Asia
- We provide advice on designing tailored insurance coverage for farms depending on its location, size, type and budget

FARMING OPERATIONS

What coverage is typically available?

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ABOUT JLT

Jardine Lloyd Thompson (JLT) Asia, a subsidiary of JLT Group, is a market leader in insurance & reinsurance broking, risk consultancy and employee benefits services. We have more than 1,700 employees in 14 major countries and territories across Asia. Our technical abilities and knowledge span a wide range of specialist areas.

Our specialist solutions and services include:

- Aviation
- Captives
- Construction
- Credit, Political and Security Risks
- Employee Benefits
- Energy
- Financial Lines
- Food and Agribusiness
- Interactive Technology Solutions
- Marine
- Mergers and Acquisitions
- Placement Solutions
- Reinsurance
- Risk Management
- Strategic Risk Solutions
- Wealth Management

Integrity is a hallmark of the JLT organisation. Our quality and compliance regimes are among the most thorough in the industry.

ABOUT FOOD AND AGRIBUSINESS

JLT Asia has a specialist insurance unit focused on the food and agribusiness sectors.

Our dedicated team of insurance and risk consultants has many years of experience and training in providing insurance broking services, risk advice and risk transfer solutions to food & beverage manufacturers and suppliers, as well as tailored solutions to the agribusiness sector.

We work closely with companies to identify, design and provide comprehensive and competitive insurance solutions specifically tailored for the food and agribusiness sectors.

Through our focus on the Agribusiness sector, we help companies insure their:

- Livestock: swine, poultry, cattle, sheep, ostriches, crocodiles and others
- Zoos and Animal Parks
- Aquariums and Marine Parks
- Aquaculture Farms

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