



AVIAN INFLUENZA OUTBREAK SWEEPS INDUSTRY

May 2015

Batory Responds to Crisis

America is in the grips of an avian influenza (AI) epidemic—the worst in U.S. history. The outbreak has forced poultry farmers to euthanize millions of turkeys and chickens, with new cases emerging daily. Iowa, Minnesota and Wisconsin have declared states of emergency, while teams of scientists scramble to better understand precisely how this “H5” virus is spreading.

At Batory Foods, we are working tirelessly to mitigate the impact of the epidemic, which has hit suppliers across the U.S., including our own egg supplier. We’re confident that our national scale, service excellence and far-ranging portfolio offer several advantages—not least the expertise to problem solve with customers.

Avian Influenza: What it is

The World Health Organization describes AI as an infectious viral disease that can spread from wild water fowl, like geese and ducks, to domestic poultry. The current outbreak of “highly pathogenic avian influenza H5” (HPAI H5) results in up to 100% mortality within 48 hours in some poultry species. (“Highly pathogenic” means very serious.)

Since December 2014, the U.S. Department of Agriculture has confirmed 143 cases of HPAI H5, which affects 29.9 million birds. Consider the previous record outbreak in 1983: It affected 17 million birds.

When one infected bird is discovered, farmers must humanely euthanize the entire flock, disinfect affected areas and test their farm, among other steps, before repopulation can begin. Though it’s too early for a definitive timetable, one supplier estimates that the egg market may not stabilize for at least a year.

Bracing for Costly Ramifications

Experts say that “layer” hens, those raised to lay eggs, have been most affected, followed by turkeys. Broiler chickens are largely unaffected. In Iowa—the nation’s top egg-laying state—the Waterloo-Cedar Falls Courier reports that more than 25 million chickens will be euthanized if recent cases are confirmed. That amounts to more than 40 percent of its egg-laying flock.

The industry is bracing for serious consequences, including tight supply and cost increases. Reports from market intelligence firm Urner Barry support that. Over the course of one week this May, dried egg product prices increased 10 cents per day on average.

Batory Foods: Taking Proactive Measures

At Batory, we are proactively managing issues surrounding the outbreak:

- **Strategic Allocation.** To protect current customers who rely on us to meet their egg needs, we are analyzing our access to product through our supplier and implementing a fair and reasonable allocation program.
- **Additional Suppliers.** Many vendors across the U.S. have been affected by HPAI H5. Those that have escaped infection so far are implementing wait lists to manage the overwhelming demand. Nonetheless, we are actively vetting additional suppliers.

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• **Egg Replacement Products.** Our portfolio includes a range of high-quality egg replacement products, including but not limited to, specialty starches, as well as wheat, soy and dairy products which can partially or completely replace the function of eggs depending on your functionality needs. Numerous applications are appropriate for these egg replacements, including baked goods, pastas and sauces. The use of replacements can help manage some of the price volatility (and supply constraints) we can expect from eggs in the coming year.

We encourage you to contact your account manager for more information on what these products can do for you.

No Human Cases Thus Far

In the midst of this emergency, it's important to know that at the time of this publication no human infections of this virus have been reported in the U.S., Canada or other nations thus far, according to the Centers for Disease Control (CDC). However, similar viruses have infected people.

While human infection is therefore possible, CDC currently considers the risk to people from these HPAI H5 infections in U.S. birds and poultry to be low. There is also no evidence that the disease can be spread to people through food if it is properly cooked.

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