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Asia's antibiotics binge 'threatening returns'

by **Matthieu Favas** on 14 AUGUST 2017 in **News & Analysis**



Poor food safety standards and breakneck growth at Chinese mega-farms could impact companies' bottom lines and cause reputational damage, an investor group warns.

The global agri supply chain risks "financial food poisoning" if nothing is done to address safety issues and the environmental impact of booming meat production in Asia, according to the Farm Animal Investment Risk and Return initiative.

In a report released today, the investor-led group suggests the rampant use of antibiotics in China's livestock industry is undermining efforts to reduce their consumption worldwide, facilitating the emergence of antibiotic-resistant "superbugs". China consumes nearly half of the world's antibiotics, FAIRR said, predicting that their use for Asian chickens and pigs will rise by more than 120 percent by 2030.

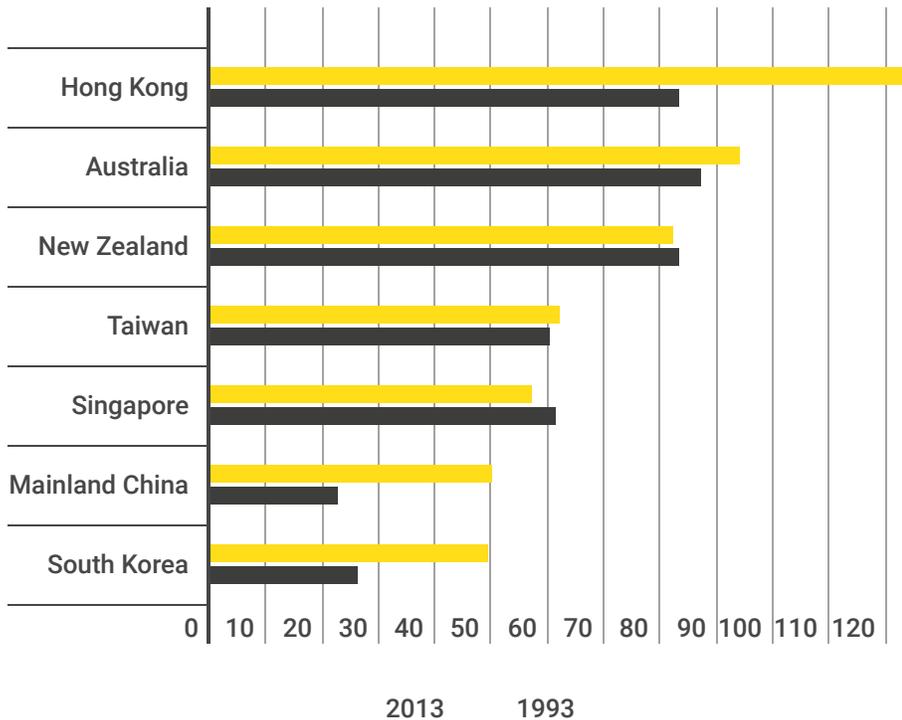
Lauren Compere, a managing director of Boston Common Asset Management, told *Agri Investor* that traces of antibiotics "of last resort" had been found in humans and suggested that such medicine was not being used solely for sickness prevention but also for growth promotion, a model she qualified as "not sustainable".

Equally concerning, according to FAIRR, are the risks to food safety caused by weak standards, as evidenced by high-profile scandals such as the supply of expired meat to McDonald's and Yum! Brands Asia, which the group says wiped \$7.2 billion and \$3.6 billion off the companies' market values, respectively, between 18 July and 20 October 2014. It also noted a contradiction between China's stated intent to reduce greenhouse gas emissions and the massive carbon generation associated with a ramp-up in meat production.

"This could leave Chinese livestock producers heavily exposed to the introduction of a new carbon pricing scheme, expected in China in 2018," it said.

Rising steaks

Meat consumption, selected Asian markets



Source: FAIRR, FAO, OECD, ARE calculations

Maria Lettini, director of FAIRR, which is backed by institutions managing about \$3 trillion, told *Agri Investor* that most investors were not aware of such risks. "We continue to see investors surprised that so many risks that are relevant to one method of animal production have knock-on effects across sectors and geographies."

While investors have made some efforts to understand how antibiotics and food safety risks can affect returns, "the market has taken its eyes off the ball a little bit with respect to Asia", she added. "We're not far from a crisis situation."

Food safety not only has a bottom-line cost for investors, Compere added, it also has reputational risks – therefore, conversely providing the opportunity to build customer loyalty by zooming in on the animal welfare policies of investee companies.

"We seek the best-practice players, and avoid the most egregious players," she concluded, referring to the investment strategy of Boston Common. "As an investor, you're sitting at the table, you have influence."

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