

Swine flu fear leads to shortage of garlic in China

The Chinese have begun hoarding garlic as fears of swine flu grow, leading to a shortage of the bulb believed to bring health benefits.



Rumours that garlic can protect against the H1N1 swine flu virus are thought to have helped inflate sales Photo: GETTY

By Matthew Moore

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Garlic prices have increased fifteen fold in China in under a year because Chinese investors are said to be attempting to create an artificial shortage and drive up prices.

Chefs and housewives in some cities are struggling to get hold of one of the nation's favourite ingredients, which has passed gold and oil to become the China's best-performing asset.

The spike in prices, which has drawn comparisons with the "tulip mania" that engulfed the Netherlands in the 1630s, has baffled observers.

Rumours that garlic can protect against the H1N1 swine flu virus are thought to have helped inflate sales, with one school in Hangzhou, eastern China, buying up a stock of 200kg to be served up to pupils every lunchtime.

Falling garlic prices last year have contributed to the shortage with many farmers discouraged from planting the crop again, but analysts said there was strong evidence of market manipulation.

Jerry Lou of Morgan Stanley, who has written a research note on the phenomenon, said that gangs of speculators who earned huge sums trading more mainstream assets had recently piled their money into garlic in the hope of turning a quick profit.

"You need a warehouse, a lot of cash and a few trucks. That's how it works," he said. "Basically, what you do is try to arrest as much supply as possible, then you bid up the price.

"Moving garlic from one warehouse to another, you make millions of dollars."

He said that the wholesale cost of garlic in cities like Beijing had increased by a factor of fifteen since March, while some remote areas had seen prices rise up to 40-fold.

Alongside ginger, garlic is considered the most important ingredient in Chinese cuisine, with its pungent flavours particularly common in dishes from the southwestern Sichuan province.

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