

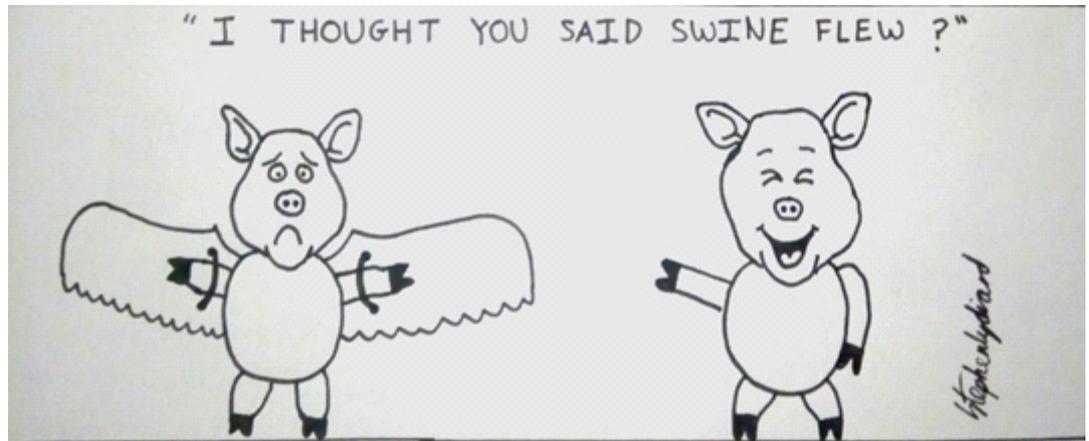


MVAM
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MVAM Newsletter

'Pigs will fly'

August 2018



You may by now be aware of the recent outbreak of African Swine Fever in China, but blissfully unaware of its potentially enormous implications for the global economy.

Sounds dramatic? Let me fill you in on some background. African Swine Fever is an extremely unpleasant, highly infectious, virus that kills pigs. Once infected, the virus can wipe out an entire herd within days and there is no effective treatment and no known vaccine. Further, it's a very difficult virus to destroy, surviving in both live animals and slaughtered meat for extended periods and tolerant of extreme temperatures. It is easily transferred between animals and can be carried by ticks. The only viable response to stop its spread is to cull the pigs and burn the carcasses.

In early August, a case of African Swine Fever was reported in Eastern China. By 5th September the virus had spread to a further 8 locations. As we write, that number is believed to be north of 18. In China, where most pig production is on small farms, this is a very difficult situation to control. Whilst the authorities have put measures in place to restrict the transfer of animals and cull infected herds, the disease is spreading.

Why is this important? Well, pork makes up the vast bulk of protein in the Chinese diet. If the disease continues to spread, there is an increasing risk that the scale of cull that will be needed and the resulting fall in pork production will place huge strain on the China's ability to feed its people. This is a serious problem for the Chinese government.

The obvious solution is that China simply imports its pork from elsewhere to meet demand until the crisis is resolved. But there's a problem there too. Europe probably doesn't produce enough pork to make up all the difference and, even if it did, there are reports that the disease has already spread to Romania. And then there's Trump.

When the US President recently increased tariffs on agricultural produce, the Chinese effectively stopped importing American pork. As the world's third largest producer and second largest exporter, the pork industry in the US went into oversupply and prices fell. Instead, China started importing cheap pork from Russia and, in doing so, it inadvertently imported African Swine Fever.

So, if hopes had been fading that China and the US might reach a deal over their tariff spat, which is already hurting exporters and stock markets around the globe, then African Swine Fever may save the day. There is a good chance that China now asks the US for help in addressing a major shortage of pork in the very near future. The Americans, it seems, are holding all the aces in a tariff renegotiation, making Trump look either very smart or very lucky. We will leave that for you to decide but, either way, global stock markets will be much relieved.

Sincere thanks to Karim Bitat, CEO at Genus plc, for bringing this to our attention.

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