

China's latest commodity boom

The price also stinks

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A new twist on garden-variety speculation

WORRIES about overheating in China usually focus on obvious candidates: property in big cities, mainland stockmarkets and so forth. On November 25th China tightened the rules on foreign-currency transfers by individuals in a bid to control flows of hot money into the country. But signs of frothiness are also cropping up in odd places: garlic has become an unlikely target for Chinese speculators.

According to reports in *China Business News*, prices in Jinxiang, China's garlic-growing capital, have seen a fortyfold increase since March. Further down the supply chain, garlic prices have jumped tenfold on wholesale markets in big cities and fourfold nationwide. That compares with a meagre doubling in the price of copper this year and a 77% increase in the Shanghai stockmarket.



Bulbous bubble

"This sort of thing happens in China whenever you have too much bank lending," says Jerry Lou of Morgan Stanley. "The liquidity spills everywhere. Garlic is just the area of the moment. We are at an asset-bubble-foaming stage."

There is some justification for the increases. The amount of land set aside for garlic-planting is said to have fallen by half in 2008 in response to low prices. Rumours abound that garlic may prevent swine flu. Cheap herbal remedies are popular in China, and ways to ward off disease are compelling in the absence of comprehensive health care.

That said, there appears to be much more demand for garlic from speculators than consumers. Trading activity has created such intense need in Jinxiang for cash that banks and cash machines are having problems keeping up. Whatever health benefits garlic may have, this particular market looks unwell.