

# Markets react to H1N1 crisis

By LEN RICHARDSON

**S**WINE flu has been searching for a name. The best so far is the H1N1 virus, but it has had several others, including Mexican flu. Also being thrown around is the word "pandemic." Often associated with plagues, a pandemic has nothing to do with severity; rather, it describes a contagious disease that spreads.

The World Health Organization says a pandemic is:

- the emergence of a disease new to a population
- when agents infect humans, causing serious illness
- when agents spread easily and sustainably among humans

A disease is not a pandemic merely because it is widespread; it must also be infectious. For instance, cancer is responsible for many deaths, but it is not a pandemic because it is not contagious.

## Not yet pandemic

At this writing, H1N1 has not been declared a pandemic and is waning in Mexico. While the virus has been identified in California, health officials say cases are mild. Travel restrictions have been reported, but people have been to Mexico and returned without questions or a mask.

Even so, the virus has killed 42 people in Mexico and six in the U.S. Cases of H1N1 infection worldwide jumped by almost 40% on one day, May 6, according to World Health Organization data.

Asia had reported no cases until Japan suddenly confirmed three cases, according to public broadcaster NHK. The report said they were passengers who arrived in Tokyo on a flight from Detroit; they had been in Canada on a school trip.

While U.S. cases have been mild, officials are concerned with how the virus might travel and mix with the regular flu as flu season begins in the Southern Hemisphere. They worry it could possibly return to the U.S. this fall or winter as a more severe flu. The Japanese cases focused this concern because H1N1 might meet in Asia with the bird flu and develop into a new bug.

## Leaps to pigs

In the U.S., the virus has not jumped from humans to pigs. But May 2, USDA Secretary Tom Vilsack confirmed that a swine herd in Alberta, Canada, had tested positive for the H1N1 virus

## Key Points

- A pandemic portrays a contagious disease that spreads; severity is not related.
- The H1N1 virus has killed 42 people in Mexico and six in the U.S.
- Foot-and-mouth disease and the H1N1 virus generated similar market reactions.

causing a human illness.

"A Canadian carpenter who had been in Mexico, upon return, was exhibiting flu-like symptoms, did work on the Alberta farm, and subsequently the family and swine on the farm became ill," Vilsack explained. The worker and the pigs recovered, but the incident showed how easily the virus can leap to a different species.

China leads importers banning U.S. pork from 36 states since late April. Russia widened its ban April 28 to imports from Mexico, New York and Ohio. Earlier, Russia banned products from Texas, Kansas and California.

At \$25 per head, the pork industry has suffered, writes Stu Ellis, University of Illinois. At the outset, the media and health authorities convinced the public that hogs were linked to H1N1.

Ellis notes that economists Amy Hagerman and Yanhong Jin coincidentally published research on the market impact of foot-and-mouth disease at the same time livestock futures were hit by the H1N1 virus. The FMD rumor also turned out to be false, but overnight took \$50 million out of the cattle market.

The parallel with the alleged swine flu is comparable.

## Herd mentality

Hagerman and Jin say it leads to trader overreaction or underreaction. Herd mentality sets in. Traders think other traders have accurate information and follow their lead. This leads to price distortions, in part from foreign investors moving in and out of U.S. markets.

The economists say that once a rumor has cleared up, the herding disappears and prices adjust. But if prices continue to fall, then the market has shifted into momentum trading. Hagerman and Jin label traders as "news watchers," who trade with current or past information, and "momentum traders," who rely on prior trades for their forecasts. They believe the momentum in the market results from looking at the overall market direction instead of supply and demand fundamentals.

Lean hog futures were the most volatile, followed by pork bellies and live cattle, with feeder calves the least. Hagerman and Jin say that while momentum trading does not imply herding, it may aggravate the effects of herding.

They go on to say, "Analysis would seem to reveal herding behavior in feeder cattle, live cattle and lean hog livestock futures, and momentum trading for live cattle and lean hog livestock futures."

## News Net Briefs

### Swine flu shots

The Obama administration is looking into a proposal for the fall flu season to give Americans three injections: one for seasonal influenza and two for swine flu, reports *The Washington Post*. Officials also are considering adding an ingredient to the seasonal flu vaccine that targets the swine flu virus.



contractor are charged with involuntary manslaughter in the death of pregnant 17-year-old Maria Vasquez Jimenez, who died May 14 while pruning grapevines for nine hours in nearly triple-digit heat at West Coast Grape Farming, a division of the Ceres Bronco Wine Co., reports *The Fresno Bee*.

### Delta landowners stand ground

Three dozen Delta landowners are refusing access to their lands as part of a peripheral canal study, reports *Stockton Record*. The Department of Water Resources sent landowners a permission slip, but half won't sign. It is a double insult, one farmer says: to intrude on private property for a review leading to an unwanted canal.

### Solar farm

Pacific Gas and Electric Co. will buy electricity from a company that will tap unfiltered sunlight and beam it back to a station in Fresno County, reports the *San Francisco Chronicle*. Before 2016, Solaren Corp. will launch the world's first orbiting solar farm to provide day and night electricity. Ground receivers would feed the power grid.

### Corn ethanol takes another hit

The Obama administration on May 5 proposed a renewable fuel standard that could reduce the \$3 billion a year in federal tax breaks given to producers of corn-based ethanol, reports *The Sacramento Bee*. The move sets the stage for a battle between Midwest corn producers and environmentalists who claim it adds to global warming.

### Dean Foods buys Santee Dairies

Stater Bros. Markets plans to sell its Santee Dairies milk-processing division, based in Industry, to Dean Foods, Dallas, owner of the Alta Dena and Horizon Organic brands, reports the *Los Angeles Times*. The move could boost Santee growth because grocery chains competing with Stater Bros. would not buy its milk.

### Drastic land sale reduction

The first quarter of 2009 recorded the fewest lands sales in Tulare County since recordkeeping began in 1985, according to county records by *The Ranch Company*. Total quarter acreage sold was 1,230, compared to the next lowest quarter of 4,156 acres in 1987.

### Drought buster?

The Merced River rose near flood stage in Yosemite Valley in early May, reports the *Merced Sun-Star*. This boosted Lake McClure by more than 23,000 acre-feet.

### Farm labor charges

Three officials of a defunct farm labor



### Online farm equipment auction

Times are changing. Purple Wave Auction in Manhattan, Kan., sold \$1.744 million worth of farm equipment online April 22. The auction of 128 farm equipment items attracted 506 Internet bidders. The auction attracted 3,256 bids in all — an average of more than 25 bids per listed item.

### Organic sales fall in U.K.

Sales of organic food in the United Kingdom have dropped 20%, with organic eggs taking the hardest hit, according to TNS Worldpanel. ASDA, Co-op and other supermarkets have posted declines in organic-food sales, but The Soil Association attributes the decline to an increase in options for those who buy organic food, reports *InternationalSupermarketNews.com*.

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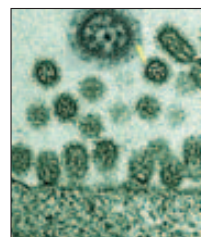
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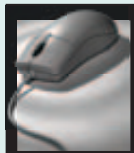
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### FLU VIRUS:

This is a micrograph image of an influenza virus, taken in a UC Davis laboratory; however, is not the H1N1 virus. PHOTO BY R. HOLLAND CHENG/UC DAVIS



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