

The world is in turmoil

The novel coronavirus outbreak that started in Wuhan, China, at the end of December last year, has had major ramifications for global markets. The amount of fearmongering and fake news doing the rounds are concerning, and only time will tell whether it is warranted.

At the time of writing this article, only 2% of people that contracted the disease had succumbed to it. Compare this to the 9,6% mortality rate of the severe acute respiratory syndrome (SARS) virus in China in 2002/03.

To put things into perspective, below is a list of the worst pandemics in history:

- From 541 to 542AD the Plague of Justinian, which was caused by bubonic plague, killed 25 million people.
- From 1346 to 1353 the Black Death, which was caused by bubonic plague, killed 75 to 200 million people.
- From 1852 to 1860 the third cholera pandemic killed one million people.
- From 1889 to 1890 an influenza pandemic killed one million people.
- From 1910 to 1911 an outbreak of cholera killed 800 000 people.
- In 1918 an influenza pandemic killed 20 to 50 million people.
- From 1956 to 1958 an Asian influenza pandemic killed two million people.
- In 1968 another influenza pandemic killed one million people.
- From 2005 to 2012 HIV/AIDS-related complications killed 36 million people.
- From the end of 2019 to the time of writing this article, the novel coronavirus killed 1 369 people.

US and China reach a trade deal

On 13 December 2019, China and the United States (US) announced that the

two countries had reached a preliminary trade agreement that could directly result in some tariff relief. The deal was signed on 15 January this year. Some changes to the current technology and intellectual property structures and an increase in agricultural purchases from China, were agreed upon.

Soya bean farmers in the US have felt the impact of the trade war as purchases from China dropped dramatically. In fact, as a result of the trade war, exports of US soya beans to China is estimated to have dropped by 50% in the last year. However, the effects have not only been felt by the US and China; global economic growth has also been affected.

Palm oil growth to slow

The output of palm producers in Malaysia and Indonesia has decreased during the past year. Pressure from non-governmental organisations to reduce or halt palm plantings as a result of, among other things, concern for mass deforestation in Southeast Asia, has been immense. Low prices have also discouraged new plantings and have prompted producers to cut input costs, such as reducing the application of fertilisers. This, in turn, has lessened yields. Consequently, growth in palm oil output is expected to decrease within the next few years.

At the same time, we are expecting demand to grow, mainly due to an increased need for palm oil in the production of biodiesel. The resulting higher prices of palm oil due to the changes in palm oil supply and demand is likely to see a switch to competing oils and firm global oil prices in general.

Enjoy this edition of *Oilseeds Focus*.

Dr Erhard Briedenhann

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