



**RACHEL
WAKEFIELD**
CFA

ABOUT RACHEL:

- Analytical
- Cool-headed
- Detail-Oriented

MARKET DISRUPTIONS:

The Supply/Demand Disequilibrium

Do you have enough toilet paper? Remember the first days of the pandemic lockdown, when the hunt for toilet paper and the hoarding of it became a topic of conversation? Thankfully, the supply and demand for paper products has come back into equilibrium, even though it did not happen overnight.

This imbalance was exacerbated by social media posts creating fear as well as our society's ability to hoard products either for personal/family use or even, in some cases, personal gain from reselling. Pure capitalism reared its ugly head when suppliers of needed products could fetch exorbitant prices for them. With a little peer pressure and good corporate governance, though, these bad actors were bullied out of existence.

Our current system of rapidly evolving prices that reflect market supply and demand remains a key cornerstone to our society.

It is interesting to observe how supply and demand has changed throughout the U.S. over the past few months.

COVID-19 has resulted in several dislocations of supply, demand, and prices for agricultural commodities and products

COVID-19 has had a mixed impact on pricing dynamics for commodities futures*

	Rough Rice	↑	10.9%
	Wheat	↑	5.3%
	Soybeans	↓	(2.5%)
	Coffee	↓	(4.6%)
	Corn	↓	(12.4%)
	Sugar	↓	(15.9%)
	Live cattle	↓	(18.7%)
	Lean hog	↓	(42.4%)



~4% increase in meat and poultry production during the week ending April 3 compared to same week in 2019 (~10% during week ending March 27 vs. 2019)



~14% increase in retail fresh produce volume sales from week ending Feb. 28 to week ending March 27 (~30% from Feb. 28 to March 20)



~3x more expensive wholesale egg prices from week ending Feb. 28 to week ending April 3



~42% decline in total restaurant transactions during the week ending April 3 compared to same week in 2019 (~36% during week ending March 27 vs. 2019)

*All futures contracts have May 2020 expirations except for live cattle, which is June 2020; change in value is based on difference in market price between market open on March 11 (after WHO announced COVID-19 as a pandemic) and market close on April 3
Source: CME Group, Technomic, AgWeb, IRI, USA Today, Successful Farming, USDA, Umer Barry, Livestock Marketing Information Center

MARKET DISRUPTIONS: The Supply/Demand Disequilibrium

The economy is currently in flux. As time goes on, tracking which life choices will become permanent and which will shift back after a cure is found will be paramount to pursuing investment opportunities in the future.

Why does this matter? Because prices go up as demand increases, unless there can be a corresponding increase in supply to offset the demand. As habits change, consumer behavior will dictate which segments of the market will be most efficient and how the flow of goods will be best served, whether domestically or through foreign markets.

In the long term, we know that capitalism will adjust to find the equilibrium point. In the near term, we should expect to see increasing dislocation as the U.S. economy shifts right before our eyes.

*As a fun exercise,
use the enclosed
survey to map your
life experiences
against the recent
changes.*

COMPLETE AND RETURN THE SURVEY BELOW TO BE ENTERED TO WIN ONE OF OUR AMAZON GIFT CARDS!

Use the chart below to map your life experiences against the recent changes. Circle the direction you believe the demand and supply are currently moving compared to pre-pandemic levels. Then, mark how you think the total category will be faring 12 months from now.

ACTIVITY OR GOOD	DEMAND			SUPPLY			IN 12 MONTHS		
	up ↑	down ↓	about the same ↔	up ↑	down ↓	about the same ↔	better ↑	worse ↓	about the same ↔
AIRLINE TRAVEL	↑	↓	↔	↑	↓	↔	↑	↓	↔
EDUCATIONAL SERVICES	↑	↓	↔	↑	↓	↔	↑	↓	↔
ENTERTAINMENT	↑	↓	↔	↑	↓	↔	↑	↓	↔
GASOLINE CONSUMPTION	↑	↓	↔	↑	↓	↔	↑	↓	↔
HIRING/JOB AVAILABILITY	↑	↓	↔	↑	↓	↔	↑	↓	↔
HOTEL OCCUPANCY	↑	↓	↔	↑	↓	↔	↑	↓	↔
MASS TRANSIT	↑	↓	↔	↑	↓	↔	↑	↓	↔
ONLINE SHOPPING	↑	↓	↔	↑	↓	↔	↑	↓	↔
RESTAURANT DINING	↑	↓	↔	↑	↓	↔	↑	↓	↔
RETAIL SHOPPING (MALLS)	↑	↓	↔	↑	↓	↔	↑	↓	↔
SUPERMARKET SALES	↑	↓	↔	↑	↓	↔	↑	↓	↔
TELECONFERENCING	↑	↓	↔	↑	↓	↔	↑	↓	↔
VACATIONS	↑	↓	↔	↑	↓	↔	↑	↓	↔