Markets deliver [1]

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It was a good week for believers in markets. Once again, they have delivered what no amount of political hectoring, wishful thinking or global planning could as quickly or efficiently.

First out of the gate were UK energy prices with the major providers announcing retail price cuts for gas and/or electricity. They all pointed to a drop in wholesale prices but that didn?t stop one wishful thinker on the BBC to cite political badgering as the sole reason. The truth, though, is that wholesale natural gas prices have plummeted, especially in the US where prices now are below $3 per million British Thermal Unit, down from around $9 four years ago. And that fall is greatly due to soaring output led by surging shale gas production. It?s meant US gas imports are down by almost 10% so far this year, a huge impact on global markets from the world?s biggest consumer by far.

Next up was Tesco with its report of a disappointing 2011. For years now, the retailer has been the whipping boy of the anti-markets brigade for giving customers what they want at prices they?re prepared to pay. Repeated investigations failed to turn up any wrong-doing by the industry which merely heightened cries from its critics of high street destruction and out-of-town despoliation. But market realities mean the industry has reached the limit of big supermarket construction even as the lure of such hypermarkets is dimmed by online shopping, the cost of petrol burned in the traffic queues and the stress of the whole experience. In response, Tesco and the others are expected to scale back such expansions, if not even reduce current square footage.

Finally, the UN?s Food and Agriculture Organisation reported that its food index has fallen to its lowest level in more than a year and is down 11% from its high in February. In the US, corn and wheat futures have taken a beating with corn down some 23% in just six months on a steady rise in stocks in response to falling demand triggered by the earlier high prices. Again, as the world?s biggest producer by far of grain, US supply-demand conditions has a huge impact on global prices.

As we?re repeatedly warned, prices can go up as well as down but that?s the beauty of markets ? quick response to changes in real world conditions to deliver (or not) that which consumers want (or not).