Orange You Glad You Invested in Juice?

By Reg P. Wydeven
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This flu season has been one of the worst in recent history. Thankfully, the U.S. Centers for Disease Control believes the pandemic has reached its peak. This year saw the influenza A virus known as H3N2 as the predominant flu strain, which also happens to be the most deadly.

In a bad flu season, the CDC estimates that influenza results in as many as 35 million illnesses, about 700,000 hospitalizations, and up to 56,000 deaths in the U.S., and we're projected to exceed those numbers this season.

So while most of America is either miserable or quarantining themselves, some folks are actually giddy: orange growers.

In an effort to boost their immune systems, Americans have been chugging orange juice this year in record numbers. In January, orange juice sales rose almost 1% to 38.66 million gallons. Before the flu outbreak, orange juice had been actually losing its a-peel. Because of its high sugar content and increased cost due to crop damage from Hurricane Irma, consumers have been drinking flavored water, smoothies, iced coffee, or other beverages instead.

All of this interest in the cost of orange juice reminds me of one of my favorite '80s movies, 'Trading Places.' The flick stars Eddie Murphy and Dan Aykroyd as traders in commodities. The bad guys, the Duke brothers, are old-money traders who bribe a government official to illegally get an advanced copy of the U.S. Department of Agriculture's orange crop report. Predicting a bad year, the Duke brothers use this insider information to buy up futures contracts in frozen concentrated orange juice, hoping to sell high.

Unfortunately for them, Eddie Murphy and Dan Aykroyd's characters falsified the report. When the actual report was released predicting a banner year for oranges, prices plummeted. The Duke brothers went bankrupt and Eddie and Dan "shorted" by selling high and buying up the Dukes' contracts for pennies to cover their obligations. They made out like bandits and retired to a tropical island.

To make them entertaining, the plots of most movies aren't always very plausible. Using insider information to trade in commodities, however, as portrayed in 'Trading Places,' was completely possible because shockingly, it was perfectly legal.

Not until the Dodd-Frank Wall Street Reform and Consumer Protection Act was passed in 2010 was the practice outlawed. The specific provision can be found in Section 136 of the Wall Street Transparency and Accountability Act portion of Dodd-Frank, and is awesomely known as the "Eddie Murphy Rule."

Explaining the need for regulation, Commodity Futures Trading Commission Chairman Gary Gensler told Congress, "…To protect our markets, we have recommended what we call the "Eddie Murphy" rule to ban insider trading using nonpublic information misappropriated from a government source."

Perhaps the movie was inspired by real-life events in 1905. Back then, a U.S.D.A. statistician named E.S. Holmes, Jr., sent signals about the price of cotton to his partner, Louis Van Riper, who was stationed outside the government building. On the afternoon before the cotton report was released to the public, Holmes would pull his window shade higher for bad news, lower for good news, and halfway for expected results. The stunt resulted in hundreds of thousands of dollars for the pair until they were foiled by – what else – an inaccurate report.

Some people are fascinated by the commodities markets. I, however, find them boring. When people talk about the price of frozen orange juice, I just can't concentrate.