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Price Changes and the Composition of the Sweet Potato Pack

by

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Problem

Especially in recent years, most fruit and vegetable products have become increasingly popular. However, in neither fresh nor processed form have sweet potatoes joined this popularity. The impact of this development has had negative implications for Louisiana's fruit- and vegetable-processing industry, since the sweet potato has provided about 75 percent of Louisiana's total volume of canned product. The same impact has been felt by individual firms involved in the canning industry in the state. The number of firms has declined, while the average annual volume processed is about the same as 30 years ago.

In terms of firm management, adjustment of composition of the product line between sweet potato styles (whole, cut, and mashed) and between can sizes, in the face of price change, is of interest. Changes in a firm's product line composition should be the result of price changes and other forces. However, price changes may be nominal or real. Management should adjust on the basis of real prices rather than the illusions of nominal prices. Given the nature of agricultural processes and competition (processing included), lagged adjustment models often are appropriate. Tri-annual data for prices and quantities by style and container size for individual firms has been collected in Louisiana; hence, it was possible to analyze same-year prices and quantities. But lagged models were not available from this data.

Methodology, Interim Results and Additional Analysis

Quantities and wholesale prices reported by firms were converted to the standard 24/303 basis. The producer price index for canned vegetables was used to convert all prices to a 1982 base. Trend lines were calculated for nominal and real prices. By style and container size, quantity and price trends were compared. Generally, smaller containers lost share, with the smallest containers losing most. Product was packed, instead, in institutional-sized containers. Real prices received were not consistently related to quantity changes for the container size. To compare container size and styles, a procedure of weighting price reported for container size by share of pack allocated to that size and then averaging over firms was followed. From that procedure, it appeared that cut and mashed style product, considered to be a lower grade product, was a stronger contributor to revenue compared to whole style.

Implications

Despite pressures, including stable real prices, sweet potato processors apparently exist in an exploitable niche. Information about adjustments to enhance profit probably relates to additional product lines in establishments outside Louisiana. That data was unavailable. Additional research to be pursued in this area includes pooling the quantity information available with secondary information about price, to investigate the hypothesis that a lagged price structure would help to explain adjustments in product line composition.