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UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

OUTLOOK FOR VEGETABLES

Talk by Charles W. Porter

at the 1974 National Agricultural Outlook Conference
Washington, D.C., 1:15 P.M., Wednesday, December 19, 1973

GENERAL SUPPLY AND DEMAND PICTURE

The U.S. vegetable industry looks to 1974 with more than the usual share of uncertainty. Growers, faced with soaring production costs for all input items, attractive crop alternatives offered by record high prices of major commodities, and scarce energy supplies, find that these factors bring on a whole new set of challenges.

In the processing vegetable sector, combined supplies of canned and frozen are tight, and shipments of many sizes and grades of canned goods are already being pro-rated. Movement through trade channels continues heavy as users know that 1974 packs will be more expensive.

Fresh vegetable supplies currently are on the liberal side with grower prices for lettuce, celery, carrots, and corn prices the lowest in months. However, the fresh vegetable industry is worried about the availability of truck fuel for transporting winter crops out of Florida and California. The majority of fresh vegetable truck shipments are moved by independent operators who are not sure of their fuel sources. In the first six months of 1974, more than 210,000 truck loads of fresh vegetables can be expected to roll, if the past is any guide.

The relatively small fall potato crop will tend to keep farm and retail prices above 1973 levels at least into the spring months. A protein-short world market has pushed U.S. dry bean and dry pea prices to unprecedented highs. It will be early fall 1974 before new crops will be marketed. Prices for some classes in excess of \$35 per cwt. should be expected to bring forth additional acreage in 1974.

PROCESSED VEGETABLES

Earlier plans for processing vegetables in 1973 suggested larger supplies than what actually resulted. Acreage for harvest of 8 leading vegetables was 10 percent larger than a year ago, but yields have averaged less, and the resulting tonnage is estimated at 10.6 million tons, only 6 percent more. Most of the yield reduction came from tomatoes and peas.

The combined pack of canned and frozen vegetables is moderately larger this season. But the sharply reduced carryover of 10 canned vegetables (including pickles) plus the smaller carryover of 7 leading frozen vegetables leaves a probable total supply for 1973/74 less than 2 percent more than the relatively light supply available for the 1972/73 marketing season, but slightly less than 2 years earlier. This year, these 7 frozen vegetables comprise 19 percent of the total processed supply. This is a slightly larger share than for either of the two previous seasons.

Considering the 10 canned vegetables by themselves, the meagre carryover, added to a moderately larger pack, is yielding a supply about the same or slightly less than for 1972/73. This estimate takes into account snap and lima beans, sauerkraut, corn, peas, pickles, peeled tomatoes, tomato juice, and tomato puree, but excludes catsup, tomato paste, and tomato sauce. In view of the heavy demand expected for canned goods, this means another season of pro-rated orders with buyers not receiving 100 percent of their needs—at least for certain items. Some can sizes may turn out short as well. Canned peas are in especially light supply, and sweet corn probably will be less than expected earlier too, so the substantially larger pack of snap beans is being readily acquired by the trade. Government offers to buy canned vegetables are receiving scant interest or are even being ignored this year. Trade interest in government needs is often a good indicator of market conditions.

With only a degree of difference, the frozen vegetable situation parallels the canned. Stocks of all frozen vegetables on the first of November were 1 percent less than the moderate supply on hand a year earlier. For the seven major frozen vegetables, November 1 stocks were 1 percent more, hardly a burdensome figure. Relatively small differences in stocks suggest continued rapid disappearance and use of frozen vegetables. The 1973 pack of these 7 leading items probably will be reported about a tenth larger than 1972, but as noted previously, the latest stocks report shows this gain is already history.

Higher Prices - Replacement Supplies to be More Expensive

Because more liberal cost pass-throughs have been allowed since September 10, prices of processed vegetables are likely to rise more in the new season than in the 1972/73 period. For much of 1973, prices of processed vegetables moved up less than fresh. Reasonable prices helped stimulate rapid movement of processed goods. Furthermore, some wholesale buyers and many consumers felt that replacement purchases would be made only at higher levels, giving further encouragement to shipping activity. Advanced ordering is a major consideration affecting the market at present. Continued relatively high meat prices and the need to stretch family food budgets will continue to favor the heavy use of processing vegetables.

Despite strong demand, wholesale list prices for individual processed vegetable items move up in small steps, in sharp contrast to the more volatile fresh market vegetable price movement. This results in part from the processor policy of allocating supplies to customers who may have attempted to book more than their normal requirements especially in these times of tight supply. Allocation assures a little of the more limited items to the supply pipelines throughout the marketing season.

By late October some processors were contracting with growers for 1974 acreage. Contracting activity usually begins in late February for many vegetables. Early contracting activity this year attests to lively competition among crops for land well-suited to growing canning and freezing vegetables. Prices offered growers in 1974 will be sharply higher in nearly every instance. For example, early harvest tomato contracts from the San Joaquin Valley of California are being signed at \$50/ton base price compared with \$34 last year. The higher price refers to July and October deliveries; August and September tomatoes would be priced at \$42.50/ton. This price schedule is offered growers to provide processors a longer packing run in 1974, and to insure enough tomato acreage. Whether this advance in price will attract sufficient acreage remains to be seen, because in that area, growers have a wide choice of crops to plant.

Foreign trade in canned vegetables, while not large, has attracted additional attention this year. Imports of 330 million lbs. from January through October 1973 were about a fifth less than a year earlier. Combined volume of tomatoes and tomato paste was less. On the other hand, exports rose 50 percent in the same period, to 184 million lbs.

FRESH VEGETABLES

A somewhat later-than-usual heavy volume of tomatoes from California in November helped to offset lack of supply from other sources compared with 1972. Florida's acreage of tomatoes for winter harvest was reported November 27 at 20,670 acres, 22 percent below the same estimate in 1972. Some addition is projected for later harvest though the total winter production of tomatoes will still be substantially lower than winter 1973. Development of Florida's other crops, important throughout the early months of 1974, is reported good to very good for pole beans, cabbage, and cucumbers. Trade channels can expect good volume deliveries of other items, including sweet corn, green peppers, and lettuce. In California, Imperial Valley lettuce began moving during the first week of December with prices not much above their recent lows. Southern California shipments of tomatoes decreased seasonally with some curtailment the result of retail work stoppages. Transportation availability will more than ever be critical to expected volume shipments from California and Arizona.

The index of fresh vegetable prices received by growers stood at 139 (1967=100) at the middle of November 1973. This figure, down from the index of 145 registered exactly one year earlier, concealed extremely volatile index movement on a month-by-month basis in the January-November 1973 period. The year 1973 opened with a January increment over December of 29 percent, or over twice the

increase observed the two previous seasons. Depletion of onion supplies pushed the mid-April reading to a record 202. May, June, and July overall values retreated modestly to the 185 range and broke sharply to the downside in seasonal fashion in August. The price level recorded for August was further lowered in following weeks, "bottoming out" at the end of September and early October. No year in recent marketing history has been quite as volatile.

Although 1974 fresh vegetable grower prices may continue high compared with recent years, the levels in the first and second quarters of 1974 will probably not equal the overall price index records reached in the same period of 1973. In addition, the volatility of fresh market prices probably will be less than the first seven months experience of 1973. Of course this assumes no weather disasters in South Florida or in California.

Retail prices are expected to demonstrate more rigidity than the indexes reflected in 1973. First quarter 1974 retail prices will probably begin close to those of January a winter ago. The indexes may then edge up slowly through the first and second quarters. On the retail side, consumer demand for fresh vegetables will be strong, though perhaps not the equal of 1972 and 1973.

Fresh Vegetable Price Trends

Index of Quarterly Prices ¹ Received by Growers - 1967=100						Index of Quarterly Retail Prices ² 1967=100				
1st	2nd	3rd	4th	Annual		1st	2nd	3rd	4th	Annual
1968	123	113	91	108	109	107	111	102	103	106
1969	109	109	97	129	111	109	113	109	115	111
1970	130	116	101	100	112	121	128	117	109	119
1971	129	132	108	140	127	113	129	121	124	122
1972*	134	129	127	132	131	128	127	129	132	129
1973	173	190	153		168-10 mo.	148	174	171		164-9 mo.

1/ Statistical Reporting Service, USDA Agricultural Prices.

2/ Economic Research Service, USDA "Market Basket". *Preliminary.

POTATOES

The U.S. potato industry has moved into another season of brisk marketing activity with fall prices received by growers at their highest levels in years. The U.S. fall crop was only 2 percent larger than the modest 1972 production. In the East, production was off 2 percent, but 4 percent more came from the Midwest. For the 8 Western States, a 3 percent larger crop is being stored, processed, and marketed. Movement to date has been good as the December Stocks Report noted that remaining supplies were 2 percent below a year ago.

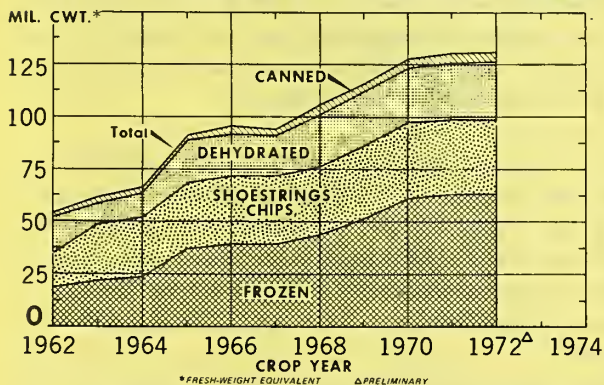
With this modest inventory, grower and shipping point prices in most sections advanced in late November. Late November shipping point prices generally were 40-80 percent above the comparable period a year earlier. Idaho Russets (#1, 2", 4 oz.) were bringing f.o.b. \$7.50 cwt. compared with \$4.81 last year. Maine Katahdins (#1, 2" min.) were worth \$5.75 versus \$3.25 in late November 1972. Average grower prices reported by SRS show sharp differences between Maine and Idaho, a difference at least partly due to the influence of pre-season contracting for processing. For example, the November 1973 Maine grower price was \$4.80 versus \$2.50 last year. Comparable figures for Idaho were \$2.20 and \$2.05.

Stocks of potatoes on December 1 were 2 percent smaller than a year earlier. Declines were most noticeable in the East and Midwest States.

The same report noted that processors in the leading processing States had used 11 percent more tonnage than by December 1 a year earlier. Increased tonnage reflects greater dehydrating activity along with attempts to rebuild frozen supplies.

Stocks of frozen french fries on November 1 were only 332 million lbs., more than a third less than last year. Substantial rebuilding is likely and will be made largely by using potatoes purchased under prior contract.

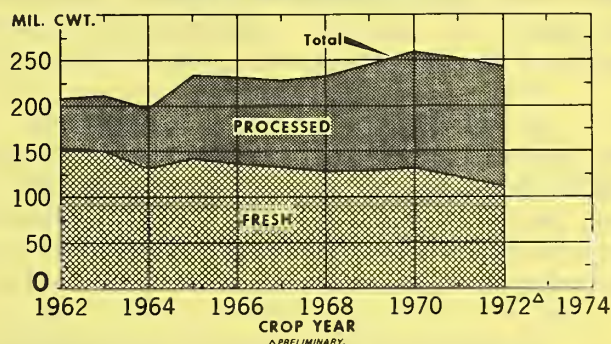
POTATOES USED FOR PROCESSED FOOD ITEMS



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POTATOES USED FOR FOOD FRESH AND PROCESSED



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High prices and reduced stocks of raw potatoes may discourage additional processing activity beyond the quantities already committed to processing. With

restricted travel, some fast food service operators at drive-in locations may see some slackening of sales volume. If the demand for institutional packs of frozen fries is reduced, then demand for the retail sizes could simultaneously increase.

The pack of frozen potato products the first half of 1973 was less than a percentage point higher than a year ago. However, with a larger quantity of raw product going for freezing purposes, the calendar 1973 totals (reported by the American Frozen Food Institute) probably will turn out slightly larger than the indication thus far. A large increase for 1973 is not likely, in view of the modest size of the 1973 fall crop.

Price Outlook

With heavy disappearance of the fall potato crop thus far, grower prices are expected to hold strong and show further gains as the storage season progresses. U.S. average prices are likely to hold above the generally good prices of a year earlier. The first chance of a possible price break would come when the late spring crop in California reaches the market. However, potato growers in that State, as well as others across the country, are alarmed by the rapid and continuing rise in production costs. It is difficult to determine whether the current high prices will bring on a surge of production in 1974. Of course, no gain would indeed be surprising. However, there is some feeling that potato land in some States in 1974 may go for other crops (grain, cotton, sugar beets). Such a change may occur where production investment per acre is substantially less than for potatoes or where net returns would still be relatively high, judging from current price levels for these alternative crops. Following this line of reasoning, some acreage gain for 1974 can be expected in Maine and eastern Idaho, areas where less chance of switching to other crops exists.

SWEETPOTATOES

With slightly reduced yields this season, the U.S. sweetpotato crop is 1 percent smaller than in 1972. The two major producing States, North Carolina and Louisiana, both have lighter yields and reduced production despite larger acreages for harvest. Reduced production in these two leading States was not matched by the generally larger crops which were harvested elsewhere.

Although the 1973 U.S. sweetpotato crop is only 1 percent smaller, grower prices have been running sharply higher than last year. The November average price received by growers was \$7.00 per cwt., up from \$5.27 in November 1972 and \$4.74 in November 1971. With processing activity strong again this season, prices held up well during the harvest period. The lowest price received by growers in 1973 came in October when \$5.92 was recorded.

The carryover of canned sweetpotatoes was only 534,000 cases 24/303's, well below last year's modest supply. Although canning activity has been brisk again this year, October 1 stocks were 2 percent smaller than a year earlier.

So far it seems that canned supplies may not be much if any larger than the rather limited supplies available last year. This suggests continued strong prices for both fresh table stock and canned packs. Price advances up to 10 percent for canned packs were announced December 1.

MUSHROOMS

Retail demand for fresh mushrooms remains fairly strong this season, and market volume is probably at least slightly heavier. For November, grower prices for fresh were averaging about 35 cents (4 qt. basket) less than a year ago.

Heavier domestic supplies of mushrooms for processing, and a weakened trade demand pushed grower prices for clean-cut stock down to 30 cents/lb. at the beginning of the current season. This compares with 38 cents in October 1972 and 46 cents back in 1971 when supplies were tight. By mid-November this year, the market situation had improved and grower prices moved up to 33 cents/lb. This probably reflects some improvement in retail movement in recent weeks. Apparently the effect of adverse publicity on canned mushroom recalls is wearing off. Supplies of canned mushrooms, contrary to much of the rest of the fruit and vegetable industry, are expected to be liberal for the balance of the 1973/74 marketing season. Imports of canned mushrooms between July 1 and November this year were only 5 percent less than the heavy shipments reaching this country a year ago.

DRY EDIBLE BEANS

Despite relatively high prices at planting time, U.S. bean growers did not increase their 1973 acreage, probably because other farming alternatives looked better to them at that time. U.S. acreage was off 1 percent. Furthermore, yields were 6 percent less than 1972. The resulting crop of 16.8 million cwts. was one of the smaller crops of recent years. White bean production turned up especially short due to an 18 percent lower yield of the important Michigan crop. Colored bean output was 8.1 million cwts., off 6 percent from 1972, although Red kidneys and Pinks showed individual increases.

Prices for all classes of beans are at unprecedented high levels. The November average price received by growers was \$27.00 per cwt. against \$9.85 the same month of 1972. Season average bean prices of recent years have usually been in the \$7-\$9 per cwt. range. Several factors account for the higher prices in 1973. Domestic demand has been stimulated by high prices for all protein foods. Export demand has boomed because of two dollar devaluations and relatively short supplies in both Europe and Latin America. Unusually heavy export sales during July and August 1973 set the stage for the strong bidding for the abbreviated 1973 U.S. crop. Exports in the new marketing season beginning September 1 through October were 78.6 million lbs., more than double the comparable 1972 figure. With a substantially smaller total supply available for all markets in 1973/74, increased export activity kept pushing the price upward, as the market continues to show strength at the present.

World production of beans was larger this year, but with protein foods in short supply worldwide and with the need to build depleted stocks, the gain did not affect shipments from the U.S.

A similar situation exists for dry peas. A small domestic crop has met strong export and domestic demand. Prices for various classes of peas have set records this year. With high prices for wheat in the Palouse region of Washington and Idaho, it is not certain how much additional acreage would be planted to peas in 1974. More normal yields from an acreage equal to 1973 would result in a larger 1974 production.

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