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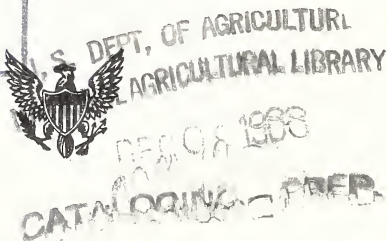
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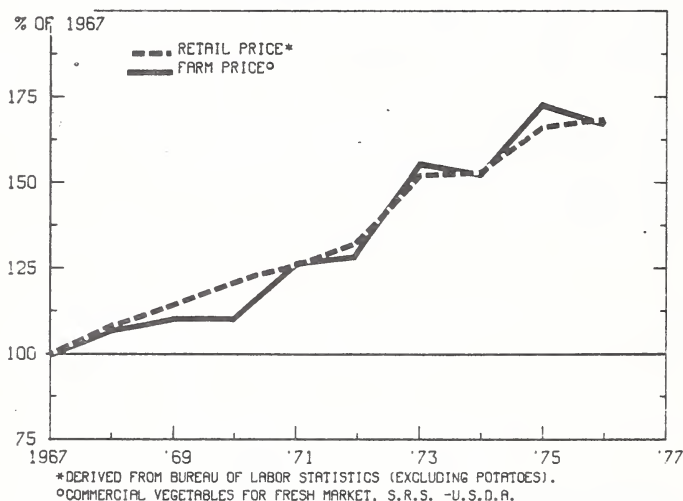
OUTLOOK FOR VEGETABLES AND POTATOES

(By Charles W. Porter, Agricultural Economist, Economic Research Service,
USDA)

FRESH VEGETABLES

Fresh market vegetable prices to growers this year have averaged moderately less than a year earlier, as both domestic output and Mexican imports have been relatively large since January 1. For the balance of the year, grower prices are expected to be firm and rise moderately above the closing months of last year. However, grower prices may still average less than in 1975.

FRESH VEGETABLE PRICE INDEXES



Retail prices for fresh vegetables also showed little change quarter by quarter from a year earlier, but are expected to show some rise in the fourth quarter. However, this year retail prices caught up as grower prices declined from 1975 levels. Domestic demand for fresh vegetables in late 1976 and into 1977 is expected to expand with growing consumer buying power.

At this moment, it is difficult to assess the impact of the Mexican peso devaluation. However, the devaluation itself tends to reduce the cost of Mexican vegetables, which may give their industry some initial competitive advantage.

Fall acreage and supply prospects

Fall vegetable acreage in the United States is about 1 percent more than the last quarter of 1975. Should yields turn out be close to historical averages, the potential production of 14 vegetables would be about 3 percent larger than in 1975.

The largest acreage gains were for broccoli, cabbage, and carrots. Salad vegetables, tomatoes, peppers, and cucumbers showed either no change or small acreage decreases. In California and Arizona, both cantaloups and honeydews showed sizable acreage increases.

PROCESSED VEGETABLES

This year processing vegetable growers cut acreage devoted to these crops because carryovers were large. In addition, unfavorable weather in many sections has been responsible for further reductions. Raw tonnage of seven major vegetable crops is expected to drop a fifth below a year earlier to about 9.7 million tons. This would be the smallest harvest since 1972. Acreage cuts applied to crops destined for both canning and freezing. Weather-induced cuts also affected California, the Upper Midwest, New York, and Oregon.

Although the data are far from complete at this time, with large carryover stocks of processed vegetables, prospective supplies of 10 important canned vegetables will be only moderately smaller than in 1975-76. Accordingly supplies probably will be large enough to cover expected disappearance during the 1976-77 marketing season at modestly increasing prices. The important concentrated tomato products are not included in these estimates, but canned tomatoes and tomato juice are 2 of the 10 items counted.

Tomato production and packs in California will be cut sharply this year. Raw production in that State is currently estimated at more than 5 million tons, but 30 percent less than the record tonnage of a year earlier.

Stocks of frozen vegetables on October 1 were 9 percent below the large quantity on hand for the same date a year earlier.

It appears that 1976 packs of frozen items too will be materially smaller, and with fairly active trade movement expected, the carryover at the end of 1976-77 would probably be lower than either of the two previous marketing seasons. Nevertheless, total supplies will be large enough to limit price advances except for possibly two or three items that may turn out on the short side.

Wholesale prices for canned vegetables had been steady at lower levels much of this year. As prospects for less burdensome supplies developed, prices bottomed out late in the summer, and some moderate price strength has been developing as the new selling season gets underway. An ERS wholesale canned vegetable index showed October prices at 166 (1967=100), 10 points more than early this summer. Wholesale prices for frozen vegetables also have strengthened as the supply-demand situation moves into a tighter balance.

Processing vegetable acreages in 1977 may be expected to be moderately larger due to the severely reduced tonnages which resulted in 1976. Contract prices to growers probably will be equal or slightly higher than a year earlier.

POTATOES

Currently, a record large fall crop is forecast as of October 1—300 million hundredweight, 9 percent more than last year. Grower prices have been weak during October and early November. This year, processors did not line up large supplies as early as in 1974, and this accounts for the different price pattern. The October SRS price for the United States was only \$2.98 per hundredweight versus \$3.80 for the fourth quarter of 1975.

Analyzing European demand

Despite the prospect of a large crop, the need for potatoes in Europe may check severely depressed prices for U.S. growers. With relaxed import restrictions now prevailing in several European countries, and with active inquiries daily, there seems a strong possibility that a substantial share of the excess fall output will move into export markets in the next 8 or 9 months as fresh potatoes or potato products. Usually only 1 or 2 percent of the U.S. potato output is exported and much of that goes to Canada as table or chip stock from Florida, North Carolina, Virginia, and Maine. There is also nominal trade elsewhere along the Canadian border. Export trade never had any real impact on domestic prices until the 1975-76 season when European drought stimulated our first substantial sales.

In the 1976-77 season, with the large crop to be marketed, exports up to 30 million hundredweight (fresh and processed combined on a fresh weight basis) would likely strengthen prices, but to a point still below last year's level. Historical observations of supply-price relationships for potatoes show that for each 1 percent change in supply there is a price response of at least 3 percent in the opposite direction. Within the fourth quarter of 1975, the U.S. average price was \$3.80 per hundredweight, and with exports no larger than last year's record, the 9-percent larger crop this year would suggest a price of about \$2.80. However, some price impact of export activity is being felt at the present time, as the average price for October was reported at \$2.98 per hundredweight.

Trade observers have estimated the shortfall of Western European production to be in the neighborhood of 60 million hundredweight. But rising prices would modify the demand from Western Europe. At this juncture it is not possible to determine whether the full amount of the shortfall will be made up with foreign purchases, nor is it possible to assess of how much tonnage will be purchased from the United States, Canada, Egypt, and possibly one or two other suppliers. The United States will probably be the leading single supplier. As of mid-October, the French Government has permitted one of its agencies to arrange to buy the equivalent of 4.4 million hundredweight in this country. Scattered shipments have been made to other European and South American countries through the ports of Searsport, Maine; Kenosha, Wisconsin; Duluth, Minnesota; Albany, New York; and possibly a few others.

Not all of the potatoes shipped to Western Europe will be table stock. If last season is taken as a guide, perhaps half the volume exported (fresh weight basis) would be in processed forms—flakes, granules, or frozen fries. In fact, the United Kingdom has not indi-

cated whether it might change its restrictions against North American table stock. Last season, they purchased large quantities of dehydrated potatoes to make up their supply deficit. With even smaller output this year, the United Kingdom is expected to make substantially heavier purchases from us.

The fall crop is heaviest in the West

The U.S. fall crop production of 300 million hundredweight is 9 percent larger than in 1975, and 4 percent larger than the previous record set in 1974. The increase is the result of larger acreage; yields were slightly lower than last year, 262 hundredweight versus 264 in 1975.

In the eight Eastern fall States, production is 6 percent above a year earlier, at 51.3 million hundredweight, an increase less than the U.S. average. Yields were very good in this region, although heavy rain and flooding in Aroostook County, Maine, did result in some acreage loss.

In the eight Central States, the production gain of 4 percent is also less than the national average. Production is forecast at 56.2 million hundredweight. In this region, dry weather cut yields below the previous two seasons. The dry weather, however, did encourage early harvest activity throughout the region.

In the West, production of 192 million hundredweight is 11 percent above 1975 and 18 percent more than 1974. These data suggest the strong westward shift in production continues. In Idaho, harvest was off to an early start in September, with quality and condition reported better than a year ago. Oregon had good September growing weather but high temperatures in Washington delayed harvest activity in that State.

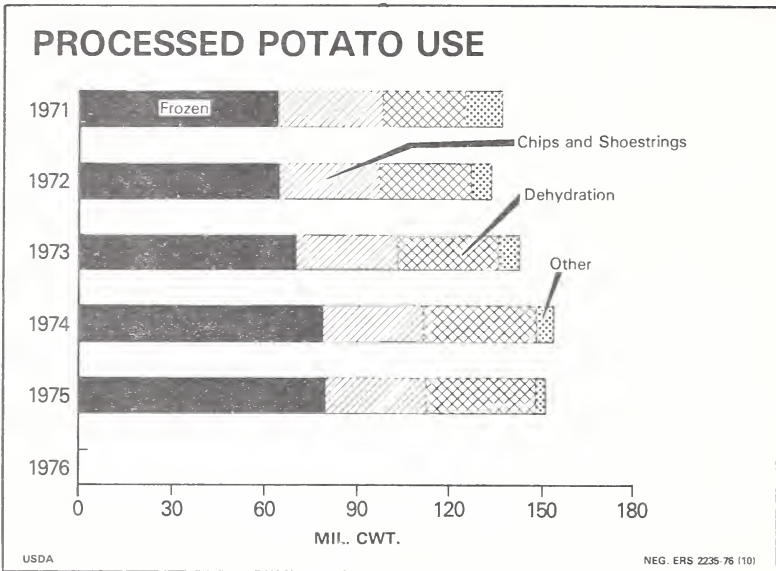
Price and supply implications

With most of the gain in output centered in the West, this area may be a major source of shipments to Europe. If so, processed products probably will account for the lion's share of export activity from this region. This does not rule out the prospect of volume fresh movement from the West, but the East and Midwest have a freight cost advantage. Substantial early shipping has already taken place from eastern and midwestern ports as indicated earlier.

Since less of the gain in the crop is in areas where round potatoes are important, and since export of round potatoes is quite active, it follows that grower prices in the East and Midwest would be expected to show strength first as the storage season progressed.

Potato prices this fall and winter could have turned out even lower for growers, had it not been for the drought-induced export activity.

At the present time, domestic needs of fall crop potatoes are expected to total close to 260 million hundredweight for food and seed use combined. (When the three other seasons are added, total food and seed use may reach 305-310 million hundredweight.) After European outlets have tried and used American processed potato products, they may be in the market for more in subsequent years. But the demand for American potato products after 1976-77 may be as much a political decision as it is economic.



Winter acreage off 8 percent

Growers in Florida and California intend to plant moderately less acreage for harvest in the winter quarter of 1977. This reflects their concern about generous supplies of storage stock which would be competing in the marketplace. Winter quarter tonnage which is usually small contributes about 1 percent to the annual output of potatoes in the United States.

Potato acreage in 1977 is expected to be at least slightly less for each seasonal group. This assumes heavy supplies of storage stock available the first half of the year. At planting time next April, growers of the 1977 fall crop generally may be expected to base their acreage on prices prevailing at that time. For example, low prices next spring would probably suggest lighter plantings than in 1976.

SWEETPOTATOES

The final production forecast for the 1976 sweetpotato crop of 13.8 million hundredweight is 2 percent more than a year earlier. A moderate increase in sweetpotato canning is expected this season. In 1975, canners sharply cut their pack to 7.6 million cases to alleviate a burdensome supply situation. With July 1 carryover stocks of 2.7 million cases considered ample, trade allowances are being offered for a new pack. Nonetheless, the 1976 pack should at least moderately exceed the small 1975 figure in order to supply annual disappearance of 9 to 9.5 million cases 24/303's, allowing for a nominal carryover. Canning activity is expected to extend through November in North Carolina and Louisiana. Carolina canners are paying growers \$1.25 per 50 pounds delivered, the same as a year earlier.

With slightly larger supplies on hand, f.o.b. prices for fresh market stock are substantially lower than a year earlier. Prices are expected

to increase slowly as the storage season progresses, though holding lower than corresponding months a year earlier.

MUSHROOMS

A big year 1975-76

U.S. mushroom production valued at nearly \$200 million in 1975-76 moved ahead again to 310 million pounds, 4 percent more than a year earlier. Pennsylvania, the leading State produced about the same quantity as a year earlier (179 million pounds) so the share contributed by that State slipped to 58 percent of the U.S. total. The average yield of 2.7 pounds per square foot was equal to the previous season.

Fresh market sales volume of mushrooms gained 13 percent, causing short supplies and high raw product prices for domestic processors. This prompted the canning industry to seek Government aid in checking the flow of less costly canned imports. Domestic processor use declined 3 percent to 168 million pounds. Processing prices paid to growers rose sharply to 53 cents per pound compared with 40.9 cents a year earlier. Prices paid to growers for fresh mushrooms rose to 71.9 cents per pound. These gains were recorded in the face of increased supplies, attesting to strong consumer demand for this specialty food product.

Imports of canned mushrooms rose moderately during 1975-76, reaching a total of 57 million pounds, an increase of 14 percent over the previous year. Domestic canners showed their concern by petitioning the President to use his office to seek a reduction of supplies reaching this country in the 1976-77 season. The recent visit to South Korea and Taiwan by his representatives secured an informal agreement that U.S. markets would be monitored so they would not be disrupted by excessive quantities of canned imports. Taiwan and South Korea account for about 95 percent of our canned imports.

Looking ahead to the 1976-77 marketing season, our attaches in Taiwan and South Korea expect heavier production in both countries. South Korea expects 27 percent more tonnage to be produced from 14 percent more bed space. Taiwan too, expects to export more to world-wide markets. Last year they produced 51,000 metric tons (112,400,000 pounds). That is roughly one-third the size of annual output in this country. In 1976-77 the Taiwanese expect to raise their production by about 15 percent.

With increased import activity expected and with intentions to increase bedding space by 10 percent in this country, somewhat lower prices may be expected. This may not be as serious as it appears, because rapidly rising and record high prices for all mushrooms have possibly limited domestic use to some extent. This will serve to stimulate production in late 1976. With continued improvement in economic activity in this country, the demand for fresh and canned mushrooms should be strong again this season.

DRY EDIBLE BEANS

A few more whites this year

U.S. production estimates for this year declined during September. The crop is now calculated to be 17.5 million hundredweight—only 8 percent more than last year.

In general, where white beans are important, a moderately larger output from a year earlier is expected. The opposite is true in States like Colorado and North Dakota where pintos are heavily planted. In Michigan, the largest producer, the navy bean crop again suffered weather damage this season. The crop there of 4.9 million bags is 9 percent larger than last year, but still well below the levels of most recent years. Nebraska, a State well-known for great northern, had an 8-percent increase this year. There is also a larger lima bean crop in California, but untimely rains caused some loss and staining of beans. In many States, yields turned out less than earlier expectations.

Recent price developments

The Statistical Reporting Service's (SRS) report on average prices received by growers, a composite of all major classes, shows a generally steady price decline through the 1975-76 season. In October 1976 prices averaged \$14.30 per hundredweight down \$10 from a year earlier. Currently, prices received by growers are at the lowest level since 1972, a time when production costs were much lower.

Export activity in 1975-76 was the poorest in recent years, and was partly responsible for the declining prices of this season just past. Approximately 2.7 million hundredweight moved in foreign trade against the record 5.1 million hundredweight in the previous season. The bulk of the trading activity was with Europe, especially the United Kingdom, Netherlands, and West Germany. This past season, Mexico used only limited quantities of our pintos, and what activity there was in Latin America came from an export credit sales program deal to the Dominican Republic. The Japanese, who are usually substantial customers, bought much less from us this year, too.

With the second year of light supplies and the chance that export activity should improve from the very low levels of 1975-76, supplies are likely to tighten as the market season progresses. A steady to moderately stronger market may be expected for 1976-77.